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BANKING IN CALIFORNIA

1849 - - - - 1910

by Benj. C. Wright

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Banking in California

1849-1910

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Banking in California

Statehood Features.

California is characterized by many important features, some of which are quite unique.

It is the first and only one of the public land States to be admitted into the Union without previous territorial probation.

Thirty States preceded her into such admission, the last twelve of which had been previously classed as territories.

Her climatic conditions are peculiar, with marked divisions between the wet and dry seasons, the prevalence of rain in some sections in the winter season and its absence in other sections.

It was the first State to uncover gold deposits on a large scale, and to assist in such developments in adjacent States and Territories.

It was the first State to discover cinnabar deposits in paying quantity, and has ever since been the country's chief source of quicksilver supply, as well as a prominent factor in the world's supply of that metal.

It has long been distinguished by the variety of its soil and mineral products.

In addition to all temperate zone fruits, it leads all other States in its semi-tropical and tropical varieties.

It has a record for the finest wheat and the largest barley crops of the country.

It was the first to give encouragement to the beet sugar industry and has the largest beet sugarie in the Union.

As a grape grower, raisin maker and wine producer it is without a rival on the continent.

It has developed an earth oil product that is now second to no other State, and is being equipped with pipe lines, refineries and shipping facilities on a corresponding scale.

Its list of manufactories embraces nearly everything produced elsewhere from the smallest and most insignificant article to the largest and most costly.

Its contributions to the United States Navy have been of the most creditable character.

Its people have shown wonderful recuperation from the most disastrous losses by fire and earthquake ever experienced in the United States, and their hospitality on all occasions is of international notoriety.

Sound Monetary Standard.

In the realm of finance and trade, California is equally distinguished.

Isolated from the great bulk of the country's population on these extreme westerly shores, the sudden influx of a large number of people from all parts of the continent and Europe, attracted by the discovery of gold deposits, it is quite natural that the self-reliance factor should have been rapidly developed.

At that time the whole country was on a specie basis, but paper money was the principal currency. This was issued by the banks under State laws, in no two of which, perhaps, were the provisions for such issues exactly alike. As a result, the paper money was of variable character—good, bad and indifferent, some of it being received only at a heavy discount.

These conditions were well known to those who had flocked to this Coast and were appreciated at their approximate value, so that, by the time the people were ready to prepare and adopt a State constitution, the currency problem had been practically agreed upon.

The organic law as adopted forbade the issue of bank notes for circulation purposes, thus placing the financial system of the State on a hard money basis.

This action was unique. It was a step entirely outside

of the rules governing currency matters in other States and Territories. It was a case where constructionists did much better work than they realized.

This was in 1850, when the census gave the population of California at 92,597, and when the amount of money of all kinds in circulation was quite small, even for that limited number.

With no authority to issue paper money of any kind vested in any source, with the nearest mint for the manufacture of coined money three thousand miles away, with no means of transportation across the continent except by steamers via the Isthmus of Panama or pony express via St. Louis, which in either case meant a delay of several weeks, it looked as though a great mistake had been made.

But for one single circumstance there could have been no other conclusion. It would have been suicidal for any State at this extreme end of civilization not having that one resource to have taken such action.

Primitive Metallic Currency.

Fortunately, California had the raw material for the manufacture of the best coined money the world has ever known, and it had it in abundance. It abounded in the river beds, on the hillsides and in the hidden rocks.

To use this raw material by weight as a means of exchange was the first resort.

Assayers were at hand to determine the fineness and value of the gold dust offered, and the price was fixed at $16 per ounce. This rule evidently protected the buyer from any loss.

This was a novel way of using gold dust or bullion, but it served a most useful purpose, and was kept up for some time, at least in a limited degree.

Prior to the establishment of a branch of the United States Mint in this city in April, 1854, authority was secured for the private coinage of gold in the form of money. The

$50 slugs of private manufacture and smaller denominations came into general use.

These makeshifts sufficed for a stable currency for local use until 1854, when the local Government Mint commenced operations in limited quarters on Commercial street, just west of Montgomery.

While the pioneer bankers and tradesmen got along fairly well with the use of gold in various forms as currency, the need of silver currency was not so easily supplied.

For gold currency there were Spanish doubloons, American eagles and half eagles, private mint coins of those denominations and $50 pieces, both round and octagon, slugs, bars and dust, the last named passing as money at so much per ounce.

There was a limited amount of American silver coin in circulation in the form of half and quarter dollars, dimes and half dimes, but these fell far short of the requirements for change purposes in the retail circles.

This condition was seized as a fine opportunity for making a little profit in the importation of foreign silver coins of various kinds.

This brought into local circulation the pistareen or peseta, worth 19 cents, from the Spanish West Indies and Peru. These coins readily passed for 25 cents, a profit of over 30 per cent.

The Spanish real of 12½ cents was accepted for a value of 15 cents, which meant a profit of 20 per cent to the importers.

Encouraged by the successful circulation of these two descriptions of foreign silver coin, large orders were sent to India for rupees, worth 43 to 44 cents, and about the size of the American half dollar, for which they were used as a substitute at a profit of 14 per cent.

This was followed by an importation of some debased German silver coins worth 16 cents, which were passed for 25 cents, netting a profit of 50 per cent.

This business then came to a sudden halt by the action

of the bankers, who met and resolved to accept these foreign coins only at their bullion value.

About that time Palmer, Cook & Co. took in a large sack of Mexican dollars, paying gold for the same. It was known that some of these coins were spurious, but that made no difference, as silver coin was scarce and people were not very particular about the standard fineness.

The currency question gave no further trouble until the outbreak of the Civil War, when the Government was forced to issue its paper notes to carry on the war.

In due season these United States notes found their way to this Coast, and were for a time put into circulation to a limited extent, but generally to the discredit of those who paid them out.

This practice was frowned upon by the better element of the population, and measures were immediately taken to put an end to it, so far as new business contracts were concerned.

In 1863 the Legislature passed the Specific Contract Act, which provided that payments might be restricted to gold coin.

This eliminated United States notes from general circulation in this State.

This law was assailed, and California was denounced as being disloyal to the Government. The criticism in both cases fell flat because there was no good excuse for it in either case.

California's Gold and Public Credit.

The discovery of gold in California in 1848 was certainly very providential, in view of the severe test of Governmental credit that was to come in the near future.

Prior to that event the amount of specie money in circulation varied from $16,000,000 to $30,000,000. That was a small amount of hard money for a population of 20,000,000, being only $1.50 per capita at the utmost.

Immediately following the uncovering of the gold deposits in this State, the metallic money supply of the country began

to accumulate most rapidly, advancing from $147,395,500 in 1850 to $253,601,600 in 1858.

The war broke out in the spring of 1861, and even then there was estimated to be only $246,400,000 of gold and silver coin in circulation.

Soon after the war was inaugurated, specie payments were suspended throughout the country, and all the coin money in the Atlantic States was shipped out of the country or was buried from sight.

California did not suspend specie payments at that time, but the only specie in circulation was about $25,000,000, all of which was in the Pacific States.

This State was a large producer of gold all through the war and a heavy shipper of the yellow metal to the Atlantic States. What she did in that line during that interval and previous to that outbreak helped materially to sustain the Government credit.

Without this bullion bulwark of hundreds of millions, the outcome of the war would have been far more disastrous than it was, bad as the actual results were.

In this way California showed its loyalty to the Government more forcibly than would have been the case had it followed the Eastern States in suspending specie payments and had substituted greenbacks for its gold currency.

But for its uncompromising adherence to the sound money standard, the date for the resumption of specie payments on the other side of the country would have been delayed to a later date than was the case. It took courage of a high order to pursue this course, but the action has since been most cordially approved.

Trade Dollar Coinage.

California's attitude on the silver question has been generally commendable.

From the time the relative value of these metals of gold and silver began to vary, the one being at a discount or at a premium with the other, according to the standpoints of different classes of financiers, the people most directly interested

in their production have sought to avoid the threatened estrangement.

The first plan suggested was the free coinage of trade dollars for export. It was known that China was using a large amount of Mexican dollars, and it was thought that an American silver dollar of uniform fineness and weight might in time supplant the Mexican dollar in Asia, in which event there would probably be a good demand for the surplus silver of the Coast.

The trade dollar suggestion is credited to California. It was most heartily approved by Dr. Linderman, then director of the United States Mint, as the writer knows from a personal interview with that gentleman, when on a visit to San Francisco.

Congress subsequently endorsed the measure, and about $36,000,000 in these coins were turned out from 1874 to 1879, most of which were sent to the Orient.

It is known that the Chinese are slow to change their customs, but it was considered that good progress was being made, and this plan of disposing of the surplus silver would no doubt have been eventually successful but for one circumstance.

Local depositors of silver at the Mint for the free coinage of the same into trade dollars allowed their greed for gain to get the better of their judgment and began to pay out these dollars for domestic circulation. As there were no other silver dollars being coined, they passed from hand to hand quite readily for a time.

As soon as the Mint authorities learned these facts, the coinage of the dollars was omitted for a time and shippers to China were unable to fill their orders. This had a bad effect in China and virtually killed the trade. The dollars were subsequently sent back to this country and redeemed.

The trade dollar was never designed for circulation in this country, and as soon as tradesmen in California understood this, they banished the coin from circulation in a single day by the refusal to accept them, except at a heavy discount.

Basis for Silver Certificates.

This plan of disposing of the surplus silver of the Coast States having failed, another was suggested by a local banker, and the writer incorporated the same in a pamphlet article, a copy of which was ordered to be placed on the desk of every member of Congress.

This plan provided that the Government should take the surplus silver bullion at its market price in gold, issuing negotiable certificates for the same that might be used in lieu of other forms of paper money. To prevent any unloading of silver at a price beyond its parity in gold, the Government was to reserve the right to become a seller in the open market at any time.

It was thought this plan would give a steadiness to the market price of fine silver, which would be very desirable to producers, as it would enable them to regulate the volume of production and thus ensure a fair profit on the capital invested in the industry.

The advantage of this plan over the one Congress finally adopted was the vast sum of money that would be saved in the cost of coinage. Besides, the warehousing by the Government of silver bars was deemed a better, safer and more economical way of caring for the country's silver than in the storage of coin for which there was no earthly use in this country. Then, again, if any of this silver was eventually to go out of the country, the bars for shipment would be preferable to coin.

Despite the failure of Congress to adopt this plan, the writer believes it was a better way of disposing of the silver the Government has taken than the course which has been pursued of compulsory coinage.

While Californians have had large interests in silver mining for many years, they have not allowed that fact to sway their adherence to the gold standard as the more desirable monetary basis of the two metals.

This unwavering course in this matter has no doubt had

its influence on the minds of men in other parts of the country. The determination of the Government to keep all its forms of money on the gold parity has been an important factor in maintaining the high standard of prosperity so long enjoyed.

News of Gold Discovery.

It is of little importance to know who was the first person to transact a banking business in the territory now and for many years known as California.

For the purpose of this story it is only necessary to take up this question in connection with the first arrivals of gold seekers.

While James W. Marshall has been credited as the discoverer of gold in this State in January, 1848, it is known that the yellow metal had been found and worked many years before.

Had there been at that time the same means for disseminating information as there was in 1848, the rush of gold seekers would have commenced much earlier.

It is a fortunate thing for this country that no such means existed in the seventeenth or even in the eighteenth century.

It took several weeks to inform the denizens on the Atlantic side of the country of Marshall's discovery, and there was a still further delay before it was given general credence.

But as in all ages there has been in every large community a class of Micawbers—people who are waiting for something to turn up in their favor—there was an immediate response to take advantage of this new golden opportunity.

California was a long distance from the bulk of the country's population, and the means of transportation were slow and limited.

A journey to this land of gold from the other side of the country meant a long and weary tramp overland on foot or by ox teams through sections inhabited by hostile tribes of Indians, or a still longer journey by water in sail vessels.

But a large army was soon on the way by both routes, and

it was a steadily increasing army for many months afterwards, as a still wider circle became informed of the news and further confirmation of its correctness, in connection with improved transportation facilities.

Rush of Gold Seekers.

A Baltimore paper is credited with having made the first serious mention of what gold seekers were finding in California. This was in September, 1848.

Sail vessels of all classes were secured and berthed for a trip to San Francisco via Cape Horn. Before the close of January, 1849, ninety vessels had sailed from various Atlantic ports for the Pacific Coast, carrying about eight thousand passengers, and seventy more ships had been engaged to follow.

The first of those passenger laden ships began to arrive at San Francisco in April, 1849. Two of the fleet arrived in that month, one in May, eleven in June, forty in July, forty-three in August, sixty-six in September, twenty-eight in October, twenty-three in November and nineteen in December, making two hundred and thirty-three in nine months. The first steamer with passengers from New York arrived on February 28, 1849.

In the same year three hundred and sixty vessels arrived from other ports. These arrivals by sea brought thirty-five thousand people to San Francisco, in addition to three thousand sailors, who left their ships for the gold diggings.

The arrivals overland for the same year were estimated at forty-two thousand. The population of the State at the close of 1849 was estimated at one hundred thousand, but San Francisco's population of that total, based on the vote polled in the November election, was not over eight thousand.

There were no gold mines in San Francisco, and the mines were the objective point of nearly all the immigrants to this port. This accounts for the comparatively small population in San Francisco in the early years of its history.

Many who upon arrival made a dash for the gold dig-

gings subsequently found it to their advantage to drift back to San Francisco and embark in other forms of business or industries for making the fortune that all were so eager to obtain.

Pioneer Bankers and Merchants.

The large number of persons exclusively occupied in the interior of the State in the search and production of gold made San Francisco a good distributing point for such supplies as were needed by the miners.

As a result of these conditions business in San Francisco became quite lively and profitable. Speculation became rampant. The arrival of a ship with supplies was a great attraction. Sometimes these ships were boarded by would-be buyers before they dropped anchor and whole miscellaneous cargoes were purchased with as little ado as the smallest package from a retail store.

This boom in business in San Francisco, in connection with the large and almost daily remittances of gold dust and bullion from the interior brought a score or more of bankers and money changers to the front with a suddeness that would have been considered startling under any other circumstances in a city of the same population.

Most of those who took to banking in those early days in San Francisco were entirely new at the business, but that fact did not cut any figure.

It seems that the chief essential required from one willing to take up the banking business at that time was to be the owner of a safe in a well-protected building. Some of the more prominent merchants had such safes and it was an easy matter to add the burden of banking to that of merchandising under the same roof and with the same clerical force.

Some of these early bankers were assayers, who took the dust from the miners in exchange for drafts on Eastern banks. The volume of this kind of business was quite large.

Express companies took up the same feature of banking, sometimes taking the gold at the point of production in ex-

change for local or Eastern drafts. These companies had superior facilities for handling this kind of banking business, as in the distribution of miners' supplies they penetrated all the populated places in the interior.

Bankers of Forty-Nine.

One of these pioneer bankers was Henry M. Naglee, who was in the field as a banker as early as January 9, 1849. For a short time the firm name was Naglee & Sinton. The latter withdrew after a few months, and Mr. Naglee continued in the business until 1851, and then suspended.

F. Argenti & Co. was advertised as a banking firm at 135 Montgomery street, and was there as early as June, 1850.

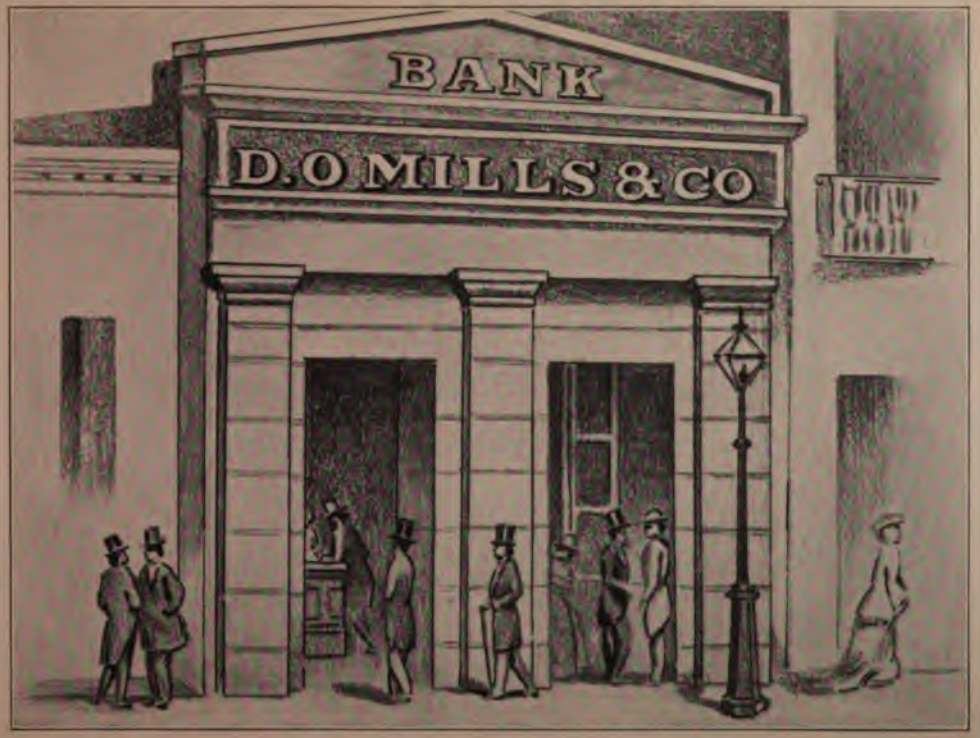
Burgoyne & Co. was located at 165 Montgomery street in the same year, having opened in June, 1849.

B. Davidson, an agent of the Rothschilds of London, was located at 135 Montgomery in September, 1849. Subsequently the firm name was changed to Davidson, Berri & Co. This bank did a considerable business and remained in operation for many years.

Thomas G. Wells began on a modest scale under the name of Wells & Co. in October, 1849, and gained the confidence of the people by his fair dealing, and the volume of his business naturally expanded. However, he was affected by the slump in 1851 suspending in October 3d of that year.

James King of William started as a banker on December 5, 1849, at 131 Montgomery. Afterward he became the editor of the Bulletin, and as such started a vigorous campaign against the criminal element, and was shot down on Montgomery street, near Washington, two hours after the appearance of the paper containing a reflection on his assailant. The death from the wound a few days later brought the Vigilance Committee into existence, and a great reform resulted.

Drury J. Tallant opened business as a banker in February, 1850, at 143 Montgomery, corner of Clay. Judge Wilde was afterward associated with him, when the firm name was



National Bank of D. O. Mills & Co., Sacramento, 1850-1872

changed to Tallant & Wilde. The last named subsequently withdrew, but Mr. Tallant continued the business under the name of Tallant & Co. The bank was incorporated in 1881 as the Tallant Banking Company, and was absorbed by the Crocker National Bank in 1898. The bank had a long and honorable career from the start.

Express Banking.

Between 1849 and 1852 five express companies were put in operation in San Francisco.

These were Adams & Co., Page, Bacon & Co., Palmer, Cook & Co., Todd & Co. and Wells, Fargo & Co.

Millions upon millions of gold dust and bullion were handled by these companies for account of the miners and parties interested in the industry.

Naturally these companies did considerable banking business of a certain kind, as buying bullion, receiving deposits, selling drafts on all parts of the world and making loans.

These companies did a thriving business during the few years that the first four were in operation, and turned in large profits to their operators.

Adams & Co. were first in the field, opening their business in October, 1849. Connections were promptly established with the leading mining camps. Assays were made for the miners. Through their influence private coinage of gold was authorized.

In 1854 Adams & Co. became a joint stock company with a capital of $2,000,000 and an express business that was said to be worth $50,000 per month.

One of the early banking firms was Drexel, Sather & Church. It is reported that the money to start this bank and the safe in which it was being brought out from the East, while in transit on the Isthmus, went overboard from the boat in which it was being conveyed on the Chagres river, but of course, was recovered.

The business of this firm was conducted for a time in a building supported on piles on the corner of Washington and

Sansome streets. In one of the early big fires this building was burned and the safe and its contents went into the bay, from which it was afterwards found and raised.

The bank was then moved to the northeast corner of Montgomery and Commercial streets, where it remained for many years. In fact, until recently that corner has been continuously occupied for banking purposes.

Mr. Drexel did not remain long in the firm and Mr. Church retired later, leaving Pedar Sather to carry on the business until it was incorporated in 1887 as the Sather Banking Company.

Other Private Bankers.

James S. Hutchinson was connected with the Sather & Church bank from the start and for many years afterward.

In the early days the wharf at the intersection of Commercial street with the bay was the principal landing place for the river and bay craft of all descriptions. This wharf at first extended from Montgomery to Sansome and was afterward carried to Battery street. It was designated the long wharf, though its entire length was only two blocks, and the bank of Sather & Church was at the shore end.

The river steamers used to arrive at this wharf in the early morning hours. Mr. Hutchinson slept in the bank building, and as bank hours were not then restricted to the five or six hours in the middle of the day, Mr. Hutchinson being an early riser and on the alert for business, was always on hand to welcome the miners as they came up the wharf with their bags of gold dust to be exchanged for gold coin. In this way considerable amounts were purchased at $14 per ounce before the less ambitious had breakfasted.

The Sather Banking Company became the San Francisco National Bank in December 1, 1897, and in July, 1910, the last named was absorbed by the Bank of California National Association.

Other private banking firms were Carothers, McNulty & Co., afterward Carothers, Anderson & Co., at 118 Montgomery.

Delessert, Cordier & Co. were located at 176 Montgomery; Godeffroy, Silem & Co., 141 Clay; Joseph W. Gregory, 155 Montgomery; Robert Rodgers, 143 Clay; G. Frank Smith, Sansome and Clay; Lucas, Turner & Co., Battery and Washington; J. B. Timmerman & Co., Clay and Sansome; Abel Guy, 131 Dupont; Sanders & Brenham and California Savings Bank, 129 Montgomery.

J. R. Robinson and T. L. Smith established a savings bank in February, 1851. Another private savings bank went under the name of Dr. A. S. Wright's Miners' Exchange and Savings Bank. This bank offered 18 per cent per annum for deposits, redeemable at pleasure. Later on, depositors found out to their sorrow that "redeemable at pleasure" referred to the receiver and not to the depositors.

New Era in Banking.

A new financier entered the local fraternity in the early fifties. He had some steamboat experiences on the other side of the continent and at Panama, at which latter place he had been in the employ of Garrison & Morgan, who were operating a line of three steamers between Panama and San Francisco, one of which was known as the "Uncle Sam."

This man was sent by Garrison & Morgan to San Francisco to look after the business of the firm at this end of the route.

Later these gentlemen established a bank in San Francisco under the firm name of Garrison, Morgan, Fretz & Ralston. A year later the first named two withdrew while the last named two continued to carry on the banking business.

The business was conducted by Fretz & Ralston until June 1, 1861, when Joseph A. Donohoe became associated with Mr. Ralston, and the firm name was Donohoe, Ralston & Co. until July 1, 1864, when it was dissolved.

This dissolution was immediately followed by the establishment of two new banks, or two banks under new names.

William C. Ralston, D. O. Mills and others organized The Bank of California in July 1, 1864, as a joint stock commercial bank, the second of the kind in the State.

At the same time, the private bank of Donohoe, Kelly & Co. was formed.

Both of these banks are still in existence, the last named having been incorporated on March 1, 1891, as the Donohoe-Kelly Banking Company. The son of the founder is now its president.

Upon the organization of the Bank of California, Mr. Ralston naturally carried some of the business he controlled into the new enterprise, and for this he was paid $50,000.

The new bank was formally opened for business on July 5, 1864, in the same building on the southwest corner of Battery and Washington streets, where Mr. Ralston began his banking career in 1856; so, in a sense, The Bank of California can date its beginning from that year and from that corner.

The capital of The Bank of California was fixed at $2,000,000 with the privilege of increasing to $5,000,000. The first 20,000 shares were apportioned among twenty-nine gentlemen in lots of 50 to 2000 shares each.

The three gentlemen taking 2,000 shares each were D. O. Mills, W. C. Ralston and R. S. Fretz.

Mr. Ralston presided at the first meeting of the stockholders, and the first item of business recorded was the election of Stephen Franklin as secretary, who was re-elected annually afterwards until his death. D. O. Mills was chosen president and William C. Ralston cashier.

First Bank Center.

Some of the pioneer private banks which have been mentioned were not always in business at the locations given, but the addresses named are from the city directories.

The confines of the first banking center of San Francisco were quite limited, being practically restricted to a square of three blocks. The boundaries of this square were Washington and California on the north and south and Battery and Kearny on the east and west. Two of these blocks were cut by two narrow streets known as Commercial and Merchant.

Most of these early banks were located on Montgomery Street between California and Washington.

The custom of allowing one hundred numbers to the block did not prevail in the pioneer days.

Montgomery Street then, as now, extended from Market on the south to Francisco or the bay on the north, passing over Telegraph Hill.

The first even block on Montgomery street began at the point where it was intersected by Post street. The numbers between Pine and California, three blocks from Post, were 69 to 97; from California to Sacramento, 97 to 122; from Sacramento to Commercial, 122 to 133; from Commercial to Clay, 133 to 146; and from Clay to Washington, 146 to 166.

Sanders and Brenham were not only good bankers, but were also honored in other ways. Beverly C. Sanders was the collector of the port at one time and the first president of the San Francisco Gas Company. C. J. Brenham was prominent in steamship affairs and was mayor of San Francisco in 1851 and 1852.

C. K. Garrison of the bank bearing his name succeeded Mr. Brenham as mayor in 1853.

E. W. Burr was not only one of the early bank presidents, but the city mayor in 1856.

Pioneer Bank Failures.

The first serious bank troubles in San Francisco occurred in 1855. Previous to that there had been some failures, notably in 1851, but none of a general character.

The failures in 1855 started with the suspension of Page, Bacon & Co., one of the express companies that had been handling a large amount of the bullion business of the State.

On the following day Adams & Co., controlling another important express and banking business, suspended.

Palmer, Cook & Co., also in the express and banking business, followed in the wake of the other two.

With three examples of this sort, it is no wonder that the

smaller institutions took shelter behind closed doors. There was no other course left.

It is said that every bank in the city was obliged to suspend temporarily, but many of them subsequently reopened and continued as before. Page, Bacon & Co. was one of these to reopen, but it soon went out of existence under a second suspension.

These failures were a greater damage to San Francisco than any one of the big fires that had swept over it up to that time, or perhaps than all of them combined.

Recovery from these material disasters was quick, and the new improvements were of a more substantial character. The losses sustained in this way were regarded simply as misfortunes, for which no one was particularly to blame.

But wholesale bank failures mean very much more to a community. They mean a loss of confidence, the basic element of all ambition and of all enterprise. There is some compensation, or may be, for property consumed by fire or other forms of destruction. But there is no compensation for the loss of confidence.

When the depositors in one of the pioneer savings banks of the city (so-called) were clamoring for their money while surrounding the brick building in which their deposits had been placed, the officials are reported to have told them that the funds so received had been invested largely in the structure erected for the uses of the bank, and they could help themselves to their share of the bricks in the building before them.

Banking in the Interior.

Thus far this story has been mainly confined to the banking and financial operations in San Francisco. There has been a good excuse for pursuing this course. The city had either initiated or fathered such enterprises for the whole State during the first few years of its occupation by the gold-seekers.

Up to this time no bank had been incorporated for the

transaction of a loan and discount business in any part of the State, that class of the business being left to private bankers.

There is no doubt that private money lenders were to be found in most of the large mining camps. These men not only loaned their own money, but they probably received money to be loaned for account of others. They also sold drafts on San Francisco and more remote points.

Sacramento had one or more bankers of that sort. One of these was D. O. Mills, whose name has been honored in all parts of the country. He was a merchant in that city in 1849, and did some banking business in that connection.

In the fall of 1850, he opened a private bank in Sacramento. He had been previously engaged in banking in Buffalo, N. Y. Up to 1852 the firm consisted of D. O. Mills and his cousin, E. J. Townsend, the latter owning a controlling interest in the Merchants Bank of Erie County, Buffalo.

The latter having retired in 1852, Edgar Mills, brother of D. O. Mills, and Henry Miller were taken into the partnership.

In June, 1872, the bank became the National Gold Bank of D. O. Mills & Co., and in September, 1883, the word "Gold" was dropped from the title, as all gold note banks adopted the currency system.

In October, 1903, a controlling interest in the bank was sold to the Bank of California, but the heirs of the founders still hold stock in the bank.

It is claimed that this is the oldest bank in continuous existence in the State, and the claim appears to be well founded. A photograph of the building occupied by the D. O. Mills bank in 1852 is in the possession of the bank, and the contrast between that structure and some of these now serving as bank premises is remarkable. An illustration of this 1852 bank building will be found on another page.

An Old Draft Honored.

An incident of unusual interest in connection with the D. O. Mills bank became an event of history only a few months ago in the honoring of a draft issued nearly 52 years ago, the original and duplicate of which have been shown the writer.

The number of this draft is 7834. It was drawn at Sacramento October 27, 1858, by the bank of D. O. Mills & Co., and reads:

"At sight of this First of Exchange (second unpaid) pay to the order of George Gridley one hundred dollars, value received and charge same to account."

The draft was made payable at the American Exchange Bank, New York, and is signed D. O. Mills & Co.

For some reason Mr. Gridley never presented this draft for payment, and upon his recent death his son as administrator of the estate found the same in the bottom of an old trunk.

It was sent to New York to be cashed by the American Exchange Bank, but as that bank had gone out of existence many years ago, it was forwarded to the D. O. Mills Bank in Sacramento.

The old records revealed the genuineness of the draft as an existing obligation, and it was promptly paid on January 25, 1910.

The world lost a man of high type when Mr. Mills passed away a few months ago while on a visit to his summer home in California.

A story characteristic of the man is to the effect that on a certain occasion when the municipality of San Francisco was facing a certain need with an empty treasury, it was suggested that some money in a sinking fund could be used for the purpose. The suggestion came to the knowledge of Mr. Mills, and just as the authorities were about to adopt that course by a formal vote, he suddenly appeared in the meeting and told those present that they could not and must not divert a special fund in that way. "Let us raise the money to meet

this emergency,'' said Mr. Mills, at the same time pledging a good contribution for the object, and the misappropriation was defeated.

Prominent Pioneer Banker.

Another of the pioneer private bankers in Sacramento was B. F. Hastings. It is probable that there were others in that city, but their names are not recalled. Sacramento was only thirty miles from Fort Sutter, where Marshall first discovered gold, and it was a prominent distributing point for miner's supplies, as steamers were in frequent communication with San Francisco via the Sacramento River.

The steamer McKim, which arrived here from the Atlantic on October 3, 1849, was the first of the kind to run regularly between San Francisco and Sacramento. She made the trip of 120 miles in 14 hours, going up one day and returning on the following day. The fare one way was thirty dollars. The Senator arrived from the East a few weeks later and alternated with the McKim, thus establishing daily communication with Sacramento.

The Low Brothers were in the banking business at Marysville in the early fifties. F. F. Low, one of these brothers, subsequently was quite honored in public life and also in banking circles in San Francisco. He was for several years one of the managers of the Anglo-Californian Bank in San Francisco. He was also Governor of the State for four years, superintendent of the United States Mint in San Francisco and Minister to China.

For long, varied and prominent banking service the late Norman D. Rideout deserves special mention. He began his career in the northern part of the State about 1850 and continued it uninterruptedly and very successfully up to his death in 1908.

In the earlier years of his California banking experience, his operations were confined to Yuba and Butte counties, where he started several private banks, which in later years were incorporated. Later on he opened a bank in Auburn, Placer

County. He was also interested in and one of the early directors of the London and San Francisco Bank, Limited, and its president at the time and for some years previous to its absorption by the Bank of California in 1905. He also organized a bank in Sacramento. He was a large stockholder in the Mercantile Trust Company, and became its president in 1906, and held the office until his death.

Mr. Rideout had many thrilling experiences in early years as the custodian of gold from northern points to San Francisco over stage lines, always riding on the box with the driver and armed to resist attacks from highwaymen.

Other Country Bankers.

The private bank of W. J. P. Nicholls at Dutch Flat, Placer County, established in 1860, is still doing business as a private bank, or was at last accounts.

A. B. Carlock opened a private bank at Fort Jones, Siskiyou County, in 1876, and took out incorporation papers June 27, 1899, as The Carlock Banking Company with a capital of $50,000.

Decker, Jewett & Co. were doing business as private bankers at Marysville, Yuba County, as early as 1858, but incorporated under the same firm name November 1, 1888, with a capital of $150,000.

James H. Goodman & Co. opened a private bank at Napa in 1858 and successfully operated the same until July 1, 1889, when the business was incorporated under the same firm name with a capital of $300,000.

Thomas Alderson was doing business as a private banker at Placerville, Eldorado County, as early as 1857, but incorporated the same on July 2, 1903, under the name of the Alderson Banking Company, with a capital of $30,000.

A. Mierson opened a private bank at Placerville in 1861, and continued in that capacity until July 1, 1902, when he incorporated as the A. Mierson Banking Company, with a capital of $50,000.

A. P. Hotaling started as a private banker at San Rafael, Marin County, in 1871, and maintained a bank of that character until 1907, when that bank was incorporated as the Hotaling Banking Company, with a capital of $200,000.

Oliver Irwin also conducted a private banking business at San Rafael for some time, but that was many years ago. It was known as the Oliver Irwin Savings Bank, with Oliver Irwin as president and his son of the same name as cashier. Its report for December 31, 1876, showed $10,000 due depositors.

U. M. Gordon & Co. conducted a private bank at San Rafael in the early sixties, and at a much later perod. On December 31, 1876, it reported a coin capital of $61,700 and depositors of $104,200. Mr. Gordon was president and R. K. Weston, cashier.

E. and H. Wadsworth had a private bank at Yreka, Siskiyou County, in the seventies.

Better Methods of Banking.

It took some time to clear up the 1855 bank wreckage in San Francisco. It took a much longer period to restore the public confidence in banks and in banking methods.

As a collapse in financial institutions as managed in the crude ways of early days was bound to come sooner or later, it is well it came when it did. Of course the losses were heavy, and much suffering followed both directly and indirectly. The latter was especially far-reaching, extending to all forms of mercantile and industrial efforts.

Banks are a great help to business when properly managed, and a great hindrance when the contrary is the case.

Except for sources of money supply, where borrowers can be accommodated on reasonable terms, the volume of business and the expansion and extension of commercial and industrial pursuits of every character would be greatly curtailed.

Of course there is a vast amount of business transacted purely on credit, but there must be some ready money to

sustain this fabric of credit, and it must be found in a concrete and available locality somewhere.

The banks undertake to supply this need. It is for that object they are organized, and it is for that purpose they exist. Under faithful management they meet the requirements, and prosperity follows.

The failures of 1855 in San Francisco set the people to thinking, and they did some pretty hard thinking. Experience is a trained teacher and the curriculum is very exacting. The outcome, however, is ample compensation.

A banking system for California was the outgrowth of these troubles. If there had been any adequate system prior to that event, it was not a very good one, as if even approximately good, it was not faithfully administered.

Even an inferior banking system, if rigidly enforced, is better than an approximately good one in the hands of careless and indifferent executives. It is not likely that the pioneer legislators evolved a perfect banking system for the State, but they made a beginning along that line.

First Incorporated Savings Bank.

The oldest incorporated savings bank in California at this writing, if not the oldest banking corporation of any class, is the Savings and Loan Society of San Francisco, which was organized in July, 1857, for a full charter term of fifty years.

A story is told of an event which hastened the culmination of this enterprise. This story is to the effect that a gentleman had recently arrived from the East with the view of going into the banking business. He gave publicity to that effect on the billboards. Finding an anticipated rival in the field, the promoters of the Savings and Loan Society hurried up with their incorporation papers and thus perfected their organization. The threatened opposition did not materialize at that time, nor at any subsequent time under the anticipated leadership.

The bank went through its first half century all right. At the expiration of its charter, it was obliged to re-organize in order to obtain an extension of existence. This it did by prefixing the article "The" to its previous title.

Had the amendment permitting renewals of charters been adopted, as it ought to have been, the expense and delay of re-organization would have been avoided. Its defeat was due to an impression that it carried a renewal of franchises of quasi-public corporations as well as charters. Subsequently the amendment was adopted.

The bank has been subjected to several periods of general business depression, but has withstood them all together with two or more foolish runs started by designing or ignorant people. The writer distinctly remembers one of these, and being at that time a depositor in the bank, he made bold to offer a fresh deposit while other more excitable depositors were clamoring to get their money out.

The bank has been known from the start as an exclusively savings bank, and has been prudently and conservatively managed. The stock has been held by a limited number of people, with but few changes in the official staff, and these largely confined to the filling of vacancies occasioned by removal from the city as by death.

Officials of Savings and Loan.

The first president of the bank was E. W. Burr, who at the time was holding the office of mayor of the city. Mr. Burr retained his position in the bank until 1880. During his incumbency the bank attained its highest degree of prosperity, which was followed by its severest trial, incident to the panic and general financial stringency of 1875 to 1878.

The first semi-annual report of the bank made in January, 1858, showed deposits at the close of the first half year of $20,100. The resources increased in volume from year to year until they reached the large total of $14,000,000 in January, 1875.

Upon the retirement of Mr. Burr, Judge Samuel Cowles became president and held the office until his death about two years later.

He was succeeded by John Brickell, who remained for only a short time.

Horace Davis was then chosen to preside, and held the position until he was elected president of the University of California. Mr. Davis also served a term in Congress as the representative of the San Francisco district.

Samuel Bigelow succeeded Mr. Davis as president of the bank, and held the position until his sudden death in 1903.

Arthur A. Smith, the vice-president, succeeded Mr. Bigelow, but retired in 1909 in favor of George D. Greenwood. The last named has continued in the office ever since.

William F. Herrick was the first secretary and cashier, and held that dual position for four years.

Cyrus W. Carmany succeeded him in the same dual capacity, and remained in that position until his death in 1904. His long connection with the bank in that active capacity led many people to speak of the bank as Carmany's bank.

Edwin Bonnell succeeded Mr. Carmany in 1904, serving in the same relation as secretary and cashier until 1908, when the positions were separated, William A. Boston, assistant cashier, taking the place of cashier, and Mr. Bonnell continuing as secretary. Mr. Bonnell has been connected with the bank for about forty years.

There are few banks in California where the leading officials have been generally favored with such long terms of service. This may be considered as evidence of good selections in the first place and faithful service on the part of those chosen to fill the respective positions.

Reorganization—Merger—Dividends.

In the San Francisco bank troubles following the first one of these failures in August, 1875, the Savings and Loan Society underwent its greatest test. Few banks have ever sur-

vived such a severe strain. In two years the deposit withdrawals were enormous, but they were all met dollar for dollar, leaving a large cash reserve still intact.

In addition to the general depression which prevailed in the City and State at that time, there was a particular feature that affected this and at least three other banks in the city.

This was the large loans that had been made by these banks on forged paymaster's vouchers. The Savings and Loan Society was the heaviest sufferer, having cashed about $240,000 of this fraudulent paper by accepting the same as good security for loans.

The alleged author of this forged paper was George M. Pinney, a clerk in the Navy Paymaster's Department.

At least two of the other local banks that had accepted these vouchers as security for loans, though for lesser amounts, had to retire from business.

In the early part of 1907, through the purchase of a large block of stock by William H. Crocker and his friends, the capital of the bank was increased from $750,000 to $1,000,000, and new life was infused in the management. This was followed by a re-organization in the following July for the renewal of the fifty-year charter that expired that month.

The bank is credited with putting up the first iron front building in this city at its old location on the south line of Clay, just west of Montgomery. All but the first story of its present building on Sutter and Montgomery was destroyed in the fire of April, 1906. Since then its business has been transacted in the restored lower story of that structure.

A new building was being considered, but before any plans were adopted, a proposition was submitted for a merger with the San Francisco Savings Union, which is erecting an elegant steel and stone building at the northwest corner of O'Farrell Street and Grant Avenue. Legal steps to carry this merger into effect are being made.

Since the opening of the bank in 1857, the dividends paid depositors aggregate over $17,400,000. This shows how one bank has helped the community in its life of fifty-three years.

Other City Savings Banks.

This pioneer institution under the new order of things did not have the field to itself very long.

The next bank to divide the city patronage of this sort was the Hibernia Savings and Loan Society, which was incorporated on April 7, 1859.

Three others came into operation in the following three years. There were the French Savings and Loan Society on February 1, 1860; the California Building Loan and Savings Society on May 31, 1861; and the San Francisco Savings Union on June 18, 1862.

Then followed an interval of four years without a new organization of this kind in the city.

The Odd Fellows Savings Bank was incorporated on October 13, 1866. This was the first bank to be promoted by any of the fraternities, and it started with a show of popularity.

The Farmers and Mechanics Savings Bank was incorporated on June 30, 1867, making an appeal to a different class of clients.

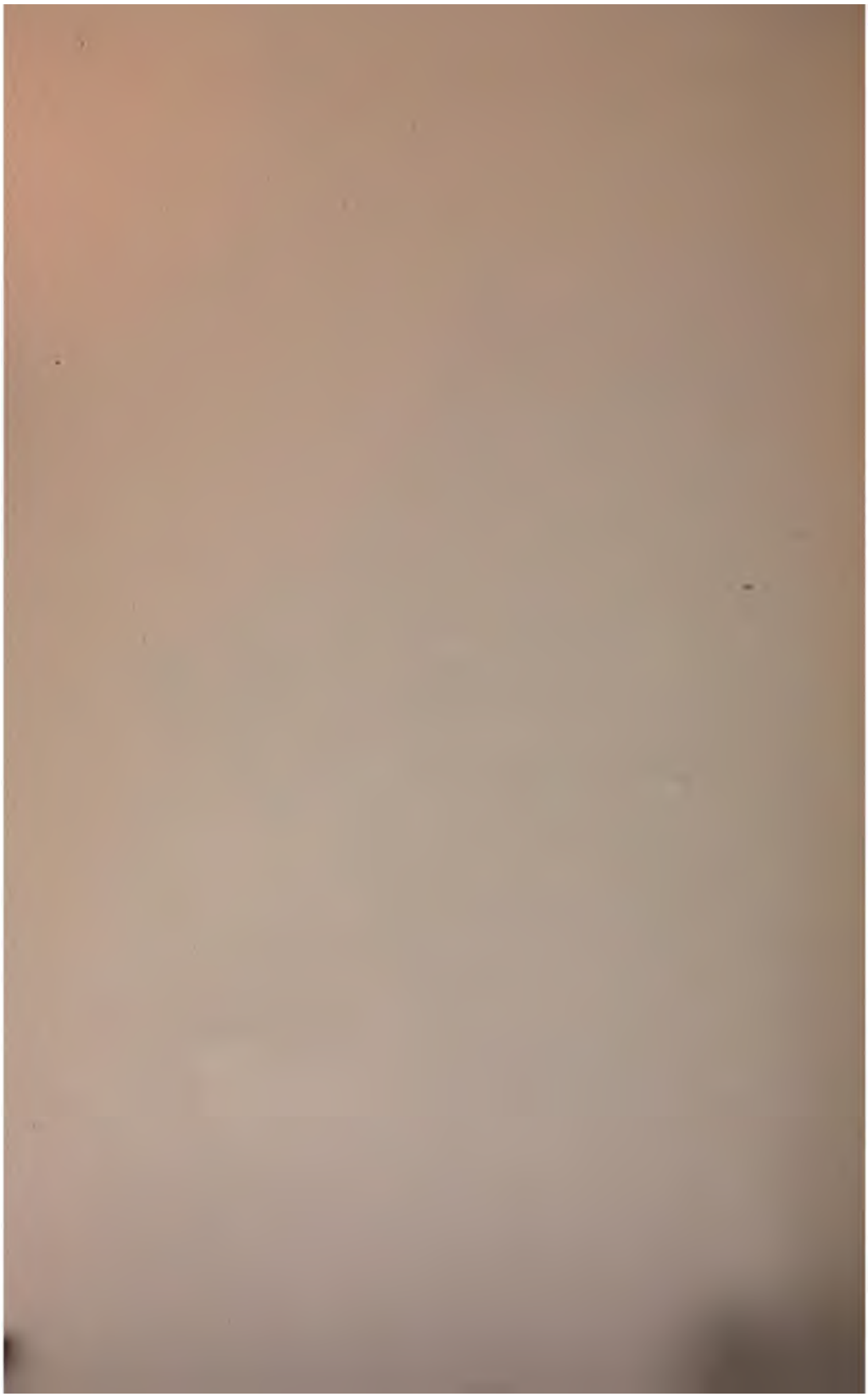
Two other similar institutions were incorporated in 1867, but not under the same law as those named above. These were the California Trust Company, which carried both savings and commercial departments, though not separated from the trust department, and the City Bank of Savings, Loan and Discount. This was a small affair and attracted but little attention. It did a mixed business as indicated by its title, and had but a brief existence, leaving few to mourn its demise.

The German Savings and Loan Society was organized on March 9, 1868, and immediately came into favor not only with the large German population, but with others as well.

The year 1869 was quite fruitful in developing new banks of this kind, of which five were brought forth.

Two of these were small affairs, namely, the Cosmopolitan Savings and the Dime Savings. Little account was paid to the saving of dimes in California in 1869.

Hibernia Savings and Loan Society, San Francisco, 1859



The Masonic Savings Bank and the Humboldt Savings and Loan Society were incorporated in November, 1869, the former on the 4th and the latter on the 24th.

The Pioneer Bank of Savings and Deposit was organized in April, 1869, and proved attractive to those who were looking for big returns in the way of interest.

The Red Men's Savings Bank was incorporated on May 1, 1870, but did not commence business until October. This was the last of the fraternity banks to be organized in this city. The prosperity of the Odd Fellows and the Masonic was undoubtedly the motive for launching one for account of the Independent Order of Red Men. The incorporated capital was fixed at $500,000, of which $30,000 was paid in at the start. The bank received deposits as low as 25 cents and made no charge for passbooks, two unusual features in those days. In May, 1872, the bank went out of business for want of adequate support. It retired honorably, paying every dollar.

The Security Savings Bank was incorporated on March 2, 1871, with a capital of $300,000, of which $150,000 was paid up at the start. The present capital is $500,000, all paid up.

The California Savings and Loan Society was organized on June 24, 1873. This bank made interior loans a specialty.

The Western Savings and Trust Company was incorporated on May 15, 1873, but it never gained much of a foothold, because the conditions of business did not favor any more new banks just then, and it retired without being mourned.

There were no savings banks started in San Francisco in either 1874 or 1875, but in 1876 the Market Street Savings Bank blossomed forth, but did not meet with success, and retired from the field in the latter part of 1877.

In 1877 some persons not altogether satisfied with the management of the French Savings and Loan, organized another under the name of the Franco-American in March of that year. But they chose an unfavorable time for the enterprise, because of the impaired confidence in such institutions,

incident to recent large failures in the city and elsewhere in the State. The project was abandoned after a few months, and there was an honorable settlement with all the parties interested.

Toward the close of that year things were not as prosperous as desired at the Pioneer Loan and Savings Bank, generally known as Duncan's Bank. Even the high rate of interest paid by that institution failed to attract the usual volume of deposits.

The management conceived the idea of having a feeder for the bank, the deposits of which could be used by the Pioneer. The moment this idea took possession of the fertile brain of the manager it developed rapidly, and so he concluded that if one such auxiliary might be of some advantage, it would be better to have two than one.

Having come to this conclusion, he hastily arranged the plans, selected dummy directors and prepared and filed the necessary incorporation papers.

He made an excellent choice of titles for the two auxiliaries that were to give him a new lease of prosperity. One was to be called Fidelity and the other Union, illustrating faithfulness and strength.

The Fidelity Savings Bank was first launched, and business was solicited on the corner diagonally opposite the Pioneer's quarters. The Union Savings was also to be accommodated in the same building. The Fidelity survived just ten days. The Union was still born. The Pioneer collapsed. Duncan became invisible.

The French Savings and Loan Society of 1860 (Mutual) suspended in September, 1878, and a new French Savings and Loan Society was incorporated with capital stock on March 10, 1879, by the late E. J. LeBreton and others. This bank undertook the liquidation of the suspended bank of the same name, and the work was performed expeditiously and in a satisfactory manner.

For the next eight years there was nothing doing in the way of organizing savings banks to operate in San Francisco.

The trials of 1875 and several subsequent years were too discouraging for any attempts of that character.

In May, 1888, the People's Home Savings Bank was incorporated by parties connected with the Pacific Bank. Its first statement appeared on the 1st of the following July. The paid-up capital at that time was $100,000 and its resources $208,800. There were then nine of these banks in active operations in this city with $2,326,230 paid-up capital and $66,279,400 in deposits.

In November, 1889, the Mutual Savings Bank was started by James Phelan and his friends with a capital of $300,000.

An interval of over three years elapsed before another bank of this kind was started. This was the Columbus Savings and Loan Society, which was incorporated on January 18, 1893. This was the first distinctly savings bank for the local Italian colony.

There was not another new bank of this kind reported for San Francisco for upwards of ten years.

In 1904, there were two incorporated for doing business in this city. There were the Mechanics Savings Bank on January 21st and the Scandinavian Savings Bank on December 14th. The last named voluntarily retired a few months ago, the promoters being content with the Merchants National, which practically grew out of the Scandinavian Savings.

The Mission Savings Bank was incorporated on August 3, 1906, by parties interested in the Bank of California.

The Savings and Loan Society under its reincorporation obtained a charter on March 18, 1907, thus continuing its previous fifty years of existence.

There has been no new savings bank for the city since August, 1906.

Interior Savings Banks.

In the last 53 years, 28 savings banks have been incorporated for doing business in San Francisco, exclusive of some that did not materialize sufficiently to claim recognition. There are now eleven in existence, or thirteen, if the Mission

and Richmond branches of the German Savings and Loan Society are to be included.

All the others have disappeared either voluntarily or through insolvency. Many of them took the latter course, leaving a host of indignant sufferers behind, sadder but wiser for their experience.

It took the interior of the State ten years after the first incorporated savings bank in San Francisco had commenced, to realize the importance of such institutions in all the larger communities.

Sacramento was the first city outside of San Francisco to seize the opportunity of organizing a bank of this kind. This was the Sacramento Savings Bank, which was incorporated March 19, 1867.

Oakland and Stockton followed the example the same year, the latter organizing the Stockton Savings Bank on August 12th and the former the Oakland Bank of Savings on September 1st.

Less than four months afterwards the San Jose Savings Bank was incorporated, say on January 15, 1868.

Three more of these banks for the interior came forth in 1869, as follows: Capital Savings Bank, Sacramento, on February 8th; Marysville Savings Bank on April 18th, and the Union Savings Bank, Oakland, on July 1st.

The five organized in 1870 were the Vallejo Savings and Commercial at Vallejo on May 1st; the Odd Fellows Bank of Savings at Sacramento on May 11th; the Petaluma Savings Bank at Petaluma on November 2d; the Santa Cruz Bank of Savings and Loan at Santa Cruz in March; and the Alameda Valley Savings Bank at Alameda in July. The last named never became active.

In 1871, the Contra Costa Savings and Loan Bank at Pacheco was incorporated in January, but never materialized in that line, and the Napa Valley Savings and Loan Society at Napa in September.

In July, 1873, there were incorporated the Dime Savings

Bank at Sacramento and the Farmers Savings Bank at Modesto.

In 1874 there followed the Commercial and Savings at San Jose on May 13th, the Santa Rosa Savings on August 1st and the Farmers Savings at Lakeport on December 14th.

In 1875, the Merced Security Savings at Merced went into existence on March 11th. First report from the Mendocino Bank (Savings) was published in July, 1877.

On May 23, 1879, the People's Savings Bank at Sacramento was incorporated.

The Stockton Savings Bank was organized on May 5, 1883, but some years later was placed in the list of commercial banks, together with the Stockton Savings and Loan Society at the request of the managers. These banks did a mixed business at the time.

In 1884, the Fresno Loan and Savings Bank was incorporated in January and the Los Angeles Savings of Los Angeles in April.

In 1885, the Southern California Savings of Los Angeles and the San Jose Safe Deposit Bank of Savings were incorporated, the former in January and the latter in April.

In 1886, San Diego incorporated two savings banks, one on April 1st and the other on May 15th. The latter is understood to have taken the place of the former and made its first report for July 1, 1886, under the name of the Savings Bank of San Diego County.

The City Savings Bank of Santa Cruz came into being in December, 1887, and the Pajaro Valley Savings and Loan at Watsonville in July, 1888. There have been some others from 1880 to 1888, both years inclusive, but they are not recalled.

From 1867 to 1888, both years inclusive, there were thirty savings banks incorporated to do business in the interior of the State. Two of these never developed any business. Five at least were transferred to the commercial class. Others retired. Since 1888 numerous others have been incorporated for business operations in the interior of the State.

At least nine were started in 1889, including two at Eureka, two at Los Angeles and one respectively at Marysville, Modesto, Santa Ana, San Bernardino and San Diego.

Six more were organized in 1890, eight in 1891, nine in 1892, two in 1893, one in 1895.

There was but little done in this business for the next six years.

In 1901, the fever to organize savings banks again appeared, and for a time was even more intense than before. There were six of these banks organized in that year, three in the following year, then eleven, then fifteen, and finally twenty-two in 1905, making forty-eight in three years, against thirty-three in the four most active years previously mentioned.

In 1906, there were fourteen more, but many of these were never developed beyond filing the papers, and perhaps not even to that extent. Most of these were incorporated during the suspension of the Act creating the first Board of Bank Commissioners, and pending the adoption of a new act perpetuating that system.

At the end of December, 1906, the commissioners received reports from 115 savings banks from cities and towns in the State outside of San Francisco, against fourteen in that city.

In the last three calendar years but little attention has been given to these movements. The largest number in that interval was 118, while the last report of the commissioners for April, 1909, gave the number at 117, exclusive of the 14 in San Francisco.

How distinctively savings banks will develop in the future under the new system of departmental banking remains to be seen. Already one bank that has claimed that distinction has given notice of its probable retirement in the near future.

Mixed banking may be more or less necessary in the smaller communities, where there is not enough business to support a single class bank.

But under the system in operation in this State since July 1, 1909, it is probable that most, if not all, new organizations for banking purposes will avail themselves of all the provisions of departmental banking, and now that this course has been adopted, it deserves a fair trial.

Value of Savings Banks.

Considerable space has been allotted so far in this story to the incorporated savings banks of San Francisco and also of the entire State, showing the development of these institutions from the first one opened in July, 1857, to the last one reporting to the late Board of Bank Commissioners in April, 1909.

The subsequent reports of these banks under the new system which went into effect on the 1st of July, 1909, render comparisons with the previous system impracticable.

Up to April, 1909, the item covering savings deposits was restricted entirely to the banks classed as savings banks. It was true then, as it has been ever since, that certain commercial banks carried savings deposits on which interest was paid semi-annually, but such deposits were not segregated from the commercial deposits in the returns made to the Bank Commissioners.

Under the new system of departmental banking, savings deposits, wherever found, are reported distinctly from commercial deposits or trust funds.

This explains why the progress of the savings banks of the State has not been carried down to date instead of being dropped with the last distinctive office report in April, 1909.

Another and more potent reason for the liberal space accorded these institutions is the great importance conceded to them so generously and so generally.

Savings banks are more closely in touch with the people, at least with people in the ordinary walks of life (and they have always constituted the great majority) than commercial banks or trust companies.

They are more helpful and therefore more necessary.

They help a large class that sorely need that kind of help. They enable every bread winner, no matter how small may be his loaf, to become a banker on a small scale, and so become of service to others, while promoting his own welfare.

As a moral agency, the savings bank is a power that cannot be ignored in any community, no matter how large or how small. A man with a deposit in one of these banks is a better man than his neighbor, other advantages for earning money being equal. He is also a better husband, a better father, a better citizen, and, therefore, a better person in all the varied walks of life, social, business or political.

When a man opens a deposit in a savings bank with the determination to add to the same as frequently and generously as circumstances permit, he lays the foundation for the better days to which all so hopefully look forward.

If normally developed with hands and brain for work, the deposit he has placed in the savings bank is a new auxiliary to his income force. The additions which he may be able to make to that account will gradually, but steadily, make that agency a greater factor in contributing to his revenue.

It will be a shield to him in a time of sickness, accident, enforced idleness, or other disaster, and an effectual prop in his declining years, when no longer able to do a strong man's full day of work.

A savings bank deposit is an income earner whether the claimant is sick or well, at work or idle, awake or asleep. It never loses its earning power under any of these circumstances, but continues right about its business every day and night, taking no account of the numerous holidays or even Sundays.

Deposits in savings banks have made many homes possible that would never have come into existence if the habit of saving which they seek to inculcate had not been adopted, and faithfully adhered to while in the vigor of life.

This agency has not only been helpful along this line to the individual with the deposit account to draw upon, but to others who have no such source of money supply.

Probably it will never be known how many vacant lots have been covered with homes or other structures through the use of money collected in small sums from thousands upon thousands of individuals who are regarded as just ordinary people.

If the facts of this character could be marshalled with any degree of accuracy, they would be an astonishing revelation, even in these days of great surprises. There is no hesitation in saying that this has been a prominent feature in the existence of savings banks the world over.

Even if the number of homes created in this way were much smaller than the most pronounced pessimist is willing to admit, it would not detract in the least from what has been said in favor of this agency. Home life is the highest type of life, and the newly married couple, whether young or old, that cannot claim a home at the start or soon afterwards, are to be pitied. Better a two-roomed home than a twelve-roomed flat or apartment house.

It will be a sorry day for any community, large or small, that succeeds in eliminating the distinctly savings bank from its midst. There is a place for such banks in all the cities and large towns throughout the country.

It is evident that there are sections that would have been much more prosperous if they had given hospitality to this feature of banking, a chief factor of which is to encourage thrift among the working classes. The absence of such activities in rightful measure is a confirmation of this view.

In these days of specialties in all the leading professions and in all of the more prominent lines of business, instead of pursuing a course that may eliminate or even minimize specialties in banking, they should be encouraged to the utmost limit of safe and successful banking.

The family physician that attends to all the ailments of all the human family is not so common in proportion to the population as he was fifty years ago, while the number of specialists, on the same basis, is much larger.

The same is true of the legal profession. The division between the civil and the criminal practice is much more clearly marked than it was in the early part of the last century. There are also further divisions in both classes of the profession.

There is even a more natural division in the realm of sound banking. The line between savings and commercial banking is well understood, and strict adherence to it should be demanded.

The savings bank business is the safest form of banking. When prudently managed by competent persons, failure is out of the question, or at least next to impossible.

An investigation of savings bank failures in this State as well as elsewhere shows that the cause of embarrassment comes from a departure from the primary work of such banks. It was not from loans on real estate that four of San Francisco's savings banks went down with a crash some thirty years ago.

If California savings banks had not undertaken to do a commercial bank's work, there probably would have been no retaliation on the part of the commercial banks.

Hereafter departmental banking is to have the right of way. The theory may be good, but the practice may not always be in accord with the theory, and then trouble may follow.

The savings bank business in California, in incorporated form, so far as it has followed primary lines, has been successful and profitable, a credit to those who have had the management of the same, to those who have been its patrons from either side of the counters and to the State giving the charters.

From a single bank that had in the first six months of its history gathered in sufficient money to entitle the depositors to a credit of $20,000 on its books, the business has grown to tremendous proportions in a little more than a half century.

The writer has personally watched and tabulated this

growth from year to year during the greater part of that period, and hence his interest in the progress effected.

This progress has not always been uninterrupted. Conditions that have affected the general development of the State have naturally had their influence on the banks. Sometimes these adverse conditions have been climatic, restricting the volume of the crops, and sometimes of a speculative character, followed by general depression and heavy losses.

Fires and earthquakes have been contributory causes in the derangement of business.

Evil-disposed persons with well disguised misrepresentations have sometimes succeeded in temporarily undermining confidence in financial institutions, resulting in heavy withdrawals from the same.

This last-named cause is the most indefensible of all, and is generally attributable to those who have had nothing to lose, not even a scintilla of manhood.

Despite all these and other untoward circumstances, the savings banks of California have made commendable progress, both in the number of these institutions and in the volume of their business transactions. Beneath all the difficulties encountered, the general trend has been upward and onward. They are still moving along on the same course.

Deposit accounts are considered a good test of a bank's popularity and prosperity. The size of these accounts indicates the amount and quality of the soil on which they must flourish or wither and die.

Appended will be found the amounts to the credit of depositors at the opening of each year in thousands of dollars. The first column showing the savings banks of San Francisco, the second the same class of banks in the interior and the third the total in the State:

Deposits California Savings Banks.

(000's omitted)

JAN. 1	SAN FRANCISCO	INTERIOR	STATE	JAN. 1	SAN FRANCISCO	INTERIOR	STATE
1858	$ 20	.....	$ 20	1884	$ 51,897	$ 8,027	$ 59,924
1859	96	.....	96	1885	52,425	6,718	59,143
1860	69	.....	69	1886	53,487	6,949	60,436
1861	1,135	.....	1,135	1887	57,587	8,609	66.196
1862	2,952	.....	2,952	1888	63,154	11,051	74,205
1863	2,944	.....	2,944	1889	69,927	12,459	82,386
1864	3,858	.....	3,858	1890	79,086	14,796	93,882
1865	5,163	.....	5,163	1891	88,539	18,492	107,031
1866	7,393	.....	7,393	1892	97,601	23,182	120,783
1867	10,359	.....	10,359	1893	107,224	28,653	135,877
1868	17,166	$ 200	17,365	1894	101,463	25,319	126,782
1869	22,342	1,475	23,818	1895	100,444	25,074	125,518
1870	26,634	2,259	28,893	1896	105,189	28,299	133,488
1871	31,290	5,266	36,556	1897	100,851	26,475	127,326
1872	37,033	7,201	44,234	1898	105,192	29,049	134,241
1873	42,475	8,956	51,431	1899	110,002	31,178	141,180
1874	46,971	10,862	57,833	1900	115,588	34,318	150,006
1875	55,871	14,022	69,893	1901	124,580	39,925	164,505
1876	56,298	13,765	70,063	1902	133,430	46,283	179,713
1877	59,621	13,922	72,543	1903	144,296	53,754	198,050
1878	60,631	14,024	74,655	1904	154,907	63,830	218,737
1879	45,949	11,897	57,846	1905	160,027	74,568	234,595
1880	42,609	9,258	51,864	1906	169,538	91,756	261,294
1881	42,323	5,708	49,031	1907	160,965	124,955	285,920
1882	44,914	7,053	51,967	1908	147,095	115,394	262,489
1883	47,950	7,274	55,224	1909	136,533	114,181	250,714

In the first ten years of this period banks of this character were confined entirely to San Francisco. The totals for 1858 and 1859 were from a single bank. The next year there were two, then three, then four. From 1863 to 1866, inclusive, there were five, and in 1867, six.

In 1894, the number of reporting city banks was 14. This is the largest number that ever reported at the beginning of any calendar year.

Owing to the local bank troubles of 1875 to 1879, the number was reduced to 8, and for most of the subsequent years the average has not exceeded 9, though for the last five years there have been 12 to 14.

The first report from the interior savings for January 1, 1868, was from three banks. Two years later six of these banks were represented, and for the next two years nine for each. By the 1st of January, 1877, there were sixteen of these banks in operation in eleven cities and towns in the northern end of the State.

Between 1878 and 1884, there was quite a weeding out of these banks in the interior. Three of them suspended, two went into liquidation and four gave up their savings departments.

This left only seven in operation on the 1st of January, 1884. One of the suspended banks had its business taken over by a new organization. A second bank was put into the field at Stockton and a new one went into business at Fresno on January 24, 1884. On the 1st of July following, ten interior banks reported paid-up capital of $1,835,000, reserves of $345,500, deposits of $6,667,900 and resources of $9,138,500.

Up to January 1, 1884, there was not a single incorporated savings bank in any part of the State south of Santa Cruz.

The first break in that condition of things happened in April, 1884, when the Los Angeles Savings Bank was incorporated with a capital of $100,000. I. W. Hellman was one of the directors. The first president was L. C. Goodwin and J. B. Watchtel was the first secretary and cashier.

The Los Angeles Savings Bank continued in business for about twenty-two years, when it was absorbed by the Security Savings which had been incorporated after the former started.

In August, 1900, these two banks stood neck and neck as the leading banks of that character in Los Angeles. Each reported $100,000 as paid-up capital. The Los Angeles reported deposits at that time of $2,168,000 and resources of $2,297,000, while the security reported $2,183,000 in deposits and $2,345,000 in resources.

At that time there were only seven of these banks in that city. The security was slightly in the lead then, and since then has made rapid progress. In its report to the Commissioners for July, 1908, its resources were nearly $20,000,000, while the German-American, the next largest, reported $11,000,000. There were then fourteen of these banks in operation there, including three branches of two of the main banks.

City Private Banks of Later Date.

After the financial troubles in San Francisco in 1854 and 1855, in addition to the few private banks that survived that trial, others of the same character were added.

These embraced Banks & Co., Belloc Freres, Donohoe, Kelly & Co., Hentsch & Berton, Hickox & Spear, Daniel Meyer, Lazard Freres, Parrott & Co., Seligman & Co., Shepperd & Menzies, John Sime & Co., Sutro & Co., N. Luning, Henry Bainbridge, Reynolds, Reese & Co.

The dates when these firms first began doing business in the city are not remembered, but they were all, with possibly one exception, serving the people in the early sixties.

Just when and how all of them ceased doing business as private bankers in the city is not recalled as to some of them.

Banks & Co., Hickox & Spear and John Sime & Co. are known to have failed, the first named in 1870 and the last named about the 1st of October, 1871. Some of the other firms suspended in 1878.

Lazard Freres founded the London, Paris & American Bank by royal charter in January, 1884.

The firm of J. Seligman & Co. promoted the Anglo-Californian Bank, Limited, in April, 1873.

The business of Parrott & Co. was merged with the London and San Francisco Bank, Limited, in January, 1871.

Donohoe, Kelly & Co. continued as private bankers until the incorporation in March, 1891, since when the business has been continued under the corporate name of the Donohoe-Kelly Banking Company. Daniel Meyer continues in business.

The other firms are understood to have voluntarily discontinued their banking business in the seventies.

Some of the firms named did a large business as private bankers. This was particularly the case with Donohoe, Kelly & Co., Lazard Freres, Parrott & Co., J. Seligman & Co. and John Sime & Co. John Parrott had been previously in business in Mexico.

The month before John Sime & Co. suspended, the firm returned for internal revenue taxation an average capital of $114,300 for the month and average deposits of $289,100.

Hickox & Spear made a specialty of buying and selling greenbacks during the war, and many years afterwards.

First Incorporated Commercial Bank.

The oldest chartered commercial bank in California (now no longer in existence) was the Pacific Bank of San Francisco, which was established in 1863, the outcome of a financial organization of another name incorporated in February, 1862.

Peter H. Burnett, first Governor of California after its admission into the Union, was the first president. He was succeeded by R. H. McDonald, who held the position for many years, and was still at the head when the bank suspended on June 22, 1893, during a bank panic that swept the entire country.

A statement of this bank for January 1, 1890, showed resources of over $5,000,000. The paid up capital at that time and for some years previously was $1,000,000, with a surplus

fund of $758,600 and deposit of $2,207,800. It then claimed a volume of business of $225,000,000 per annum. At the time of the suspension the liabilities were placed at $1,855,000. About 80 per cent paid to creditors.

The only other incorporated banks doing business in San Francisco at the time the Pacific Bank entered the field were the Bank of British Columbia, incorporated by royal charter in 1862, The Bank of British North America, incorporated by royal charter in 1840. These banks were simply branches of the above named.

Wells, Fargo & Co., incorporated under the laws of Colorado, was also in the banking business here at that time, and had been so engaged from 1852.

The Bank of California was incorporated in June, 1864. by W. C. Ralston and his friends. Mr. Ralston had been previously doing the business of a private banker here since 1856. D. O. Mills was the first president and W. C. Ralston, cashier.

The bank was prosperous from the start, and its undivided earnings were reported at $1,000,000 in less than two years after the doors were opened for business. In 1866, the capital was increased from $2,500,000 to $5,000,000, and dividends at the rate of 1 per cent per month were immediately paid on the increased capital and for many years afterwards.

Business was suspended in August, 1875, but resumed in the following October, of which more will be said later.

The London and San Francisco Bank, Limited, was incorporated in England in 1865, and was first located on the east line of Montgomery, just north of California. Milton S. Latham, once Governor of California, was president for several years, and was followed by Camillo Martin, Arthur Scrivener, Mr. Steele and William Mackintosh.

First Trust Company—Liquidation.

The building on the northwest corner of California and Leidesdorf streets, now owned and occupied by the San Francisco National, was erected by the London and San Francisco

Savings Union Bank, San Francisco, 1857-1862

Bank about 1870, and was then regarded as one of the finest and most substantial on the street. It withstood the ravages of the big fire of April, 1906, in a creditable manner.

The business of the London and San Francisco Bank, Limited, was taken over by the Bank of California in 1905.

The California Trust Company was organized in November, 1867, incorporated in January, 1868, and opened for business in the following May with an authorized capital of $1,000,000, of which only the first installment of $12,500 had been paid up. By the close of 1869, the paid up capital was $250,000, and by April 1, 1875, there was $500,000 paid up.

The new issue of stock was sold in lots of $50,000 at intervals and at premiums varying from 25 to 45 per cent above par value. These premiums, amounting to $87,500, all passed to reserve fund.

Dividends of 1¼ per cent per month were inaugurated in January, 1869. Net profits for 1870 were $99,172 and for 1871, $145,263.

In May, 1872, the California Trust Company was reincorporated as the National Gold Bank and Trust Company with a capital of $1,000,000 by capitalizing $200,000 of its surplus and calling in $300,000 of new money. In this way stockholders received full paid shares at a cost of $60 per share.

The regular monthly dividends of 1 per cent were continued up to August, 1875, the total aggregating 81¼ per cent.

In the bank trouble of August, 1875, the bank was obliged to close its doors temporarily, but resumed business in June, 1876.

In March, 1875, the resources of the bank were $6,290,500 and the deposits $4,203,900. On June 30, 1876, just after business had been resumed, the resources were $1,363,400. The capital being impaired, a reduction of 25 per cent was made.

In January, 1878, dividends were resumed at the rate of 9 per cent per annum, but subsequently reduced to 8, the last

being paid in January, 1879, and on the 1st of September following, the bank went into voluntary liquidation.

Up to the first suspension, the bank had been steadily growing in popular favor, and it had a large clientele, though not of the more wealthy class.

On the day that the bank went into liquidation, the account between the stockholders and the corporation stood as follows:

Capital paid up April 1, 1871	$ 500,000
Surplus capitalized	200,000
New capital paid in	300,000
Total paid-up capital	$1,000,000
Capital written off October 5, 1876	250,000
Total capital	$ 750,000
Cash dividends to January, 1879	642,500
Stock dividend 1872	200,000
Total dividends	$ 842,500

Depositors were paid in full. The original stockholders also got their money back, having never paid in but $800,000, while receiving back $842,000 in stock and cash dividends.

Of the $750,000 of capital at the time of liquidation, stockholders received $303,750 in eight dividends from 1879 to 1883.

The bank had only three presidents. Henry L. Davis was the first, retaining the office until November, 1875, and resuming it in 1879, when the liquidation began. The two intermediates were M. Lynch and C. H. Burton.

The Merchants Exchange Bank was incorporated in October, 1870, with a nominal capital of $500,000, and with Alvinza Hayward at the head. The bank went into liquidation in 1878 and is still in liquidation incident to the management of a lumber interest.

Advent of New Banking System.

The First National Gold Bank was organized in November, 1870, but did not go into business until January, 1871, and did not receive its notes for circulation until the following March.

Back of this organization there is a little history. California bankers had been criticised for their refusal to organize national banks and handle a paper currency of variable value. In reply they said, "Give us a paper currency redeemable in gold coin, and we will give hospitality to the national bank system."

After much discussion, Congress passed a special Act authorizing the issue of $45,000,000 in gold notes redeemable in gold coin by the issuing bank upon demand. This was a special concession to California. Some Boston parties applied for the privilege of organizing such a bank, but not one ever went into operation on the other side of the country.

The First National Gold Bank of San Francisco was the first of the kind to go into business, and it is still in operation, having been quite successful from the start. The first dividend was paid in January, 1872, at the rate of 1 per cent per month, but since 1875 the rate generally has been 10 per cent per annum, with bonus dividends at Christmas on several occasions.

The first president was George A. Hooper. Probably the longest term as president was held by S. G. Murphy. For the past few years Rudolph Spreckels has held that position. The official longest in the service of the bank is James K. Lynch, who now fills the office of vice-president.

The Grangers Bank was incorporated in August, 1874. The bank was the outcome of the Granger movement, which became prominent in California in 1873. The Granger craze sought to do away with middlemen in the handling of their produce. The experiment was tried on a large scale in the shipment of California wheat to Europe, the farmers securing ships and loading them, the cargoes to be sold on the way out

or upon arrival. The scheme was a failure, as was predicted by the worldly wise men of the times.

The Grangers Bank had a fairly successful run for some years under the energetic management of A. Montpellier, but was eventually obliged to close its doors. The bank paid a dividend of 7¾ per cent the first year and the second year 10 per cent. It went into liquidation in November, 1895.

The Bank of San Francisco was incorporated in the fall of 1874, and paid its first dividend in 1875. It retired about three years later under a general depression in business.

The Swiss-American Bank was doing business here in the seventies, but ceased about 1878.

The Nevada Bank opened for business about the 1st of October, 1875, with a capital of $5,000,000, most of which was contributed by the bonanza firm of Messrs. Flood, O'Brien, Fair and Mackay, under the presidency of Louis McLane. The opening of this bank was quite spectacular, owing to the large amount of gold coin it was able to display at the time when money was unusually stringent throughout the State.

Within a year or so afterwards the capital was increased to $10,000,000 by the joint check of Flood and O'Brien. Up to that time this individual check was reported to be the largest ever drawn at any point west of Chicago. This is the largest paid-up capital ever named for a bank in California.

Large Bank Capital—Big Merger.

At that time the Nevada Bank not only had the largest capital of any bank on the coast, but probably the smallest list of stockholders, there being only six, barely enough to come within the legal limits of a bank directory.

The restrictions of the new constitution adopted in 1879 were not favorable to large bank capital, and so the $10,000,000 was cut down to $3,000,000.

The four men who started the Nevada Bank had made considerable money from mines in Nevada and hence its name.

Subsequently the bank passed to new parties, who have placed it in a high position.

In 1898, it was re-organized as the Nevada National, and in 1905 it absorbed the Wells Fargo Bank with its large resources, and was then christened as the Wells Fargo Nevada National.

Since this consolidation was effected, it has ranked as one of the largest two commercial banks west of Chicago, and has handled successfully several large bond propositions.

The Anglo-Californian Bank, Limited, opened in April, 1873, has had a successful career, first, under the joint management of F. F. Low and Ignatz Steinhart, and subsequently after Mr. Low's death under the management of Mr. Steinhart and P. N. Lilenthal, until the latter's tragic death by a vicious horse who jumped into the automobile in which Mr. Lilienthal was riding.

A few years ago California parties bought out the interest owned in London, and thus made the bank a purely local institution. Later still, it was united with the London-Paris National under the name of the Anglo and London-Paris National, thus becoming a strong institution with large resources.

As a result of this combination, an elegant steel and stone structure has been erected at the northwest corner of Sutter and Sansome, in which the business of the bank has been housed since April 25, 1910.

The consolidated bank is well officered by those most prominently identified with the two banks forming the merger, and a prosperous career is confidently predicted.

Rapid Growth—Sudden Collapse.

The California Safe Deposit and Trust Company was established in 1882 with an authorized capital of $2,000,000. It immediately took possession of a fine office building of six stories on the southeast corner of California and Montgomery streets, the bank proper occupying the main floor. In the basement of this building the first extensive and modernly equipped safe deposit vaults ever put in operation in the State were opened in 1875.

The paid-up capital of the bank in 1889 was $900,000, and most, if not all, was supposed to be represented in the building and in the fine vaults. The safe deposit department was well patronized from the start, and held most of its patrons even after many rivals had entered the field.

The paid-up capital was increased from time to time subsequently to 1889 until it was fully paid up, and a further enlargement ordered. The statement for June 30, 1907, showed a paid-up capital of $2,500,000; surplus and profits, $632,376; dividends unpaid, $2,031; due depositors, $9,303,-532, over $5,000,000 of which was on time certificates. The total resources on the same date were $12,437,939, and which were described as follows: Real estate, $800,000; vaults and safe deposit boxes, $175,000; improvements, furniture and fixtures, $64,787; other real estate, $209,373; time loans, $2,181,514; call loans, $2,966,798; bonds and stocks, $4,472,-393; cash, $1,471,078; other assets, $96,990.

The bank lost its building in the fire of April, 1906, except the walls of the first story, which were roofed. The safe deposit vaults in the basement were uninjured, though covered with tons of debris.

The bank secured temporary quarters in the unharmed residence district immediately after the fire, and went on with its business. There temporary quarters, with three other similar establishments were maintained even after the main office had been re-opened.

The bank was a hustler for deposit accounts, and took much pride in indicating this growth in frequent statements. In four years ending June 30, 1907, the deposit credits had increased from $2,142,000 to $9,303,532. Such marvelous expansion astonished the more conservative bankers.

The drawing force in securing these deposits, in addition to personal and persistent effort, was the remuneration offered for the same. In the official statement for July 1, 1907, the bank offered to pay 4 per cent per annum on savings deposits, 2 per cent on open accounts subject to check, interest credited

monthly; 2½ per cent on certificates of deposit, repayable in 30 days; 3 per cent, 3½ per cent, 3¾ per cent and 4 per cent on the same, repayable in 60 days, 90 days, 6 months and one year respectively.

After calling attention to an increase of $1,443,580 in deposits for the year ending July 1, 1906, depositors were assured that the liberal rates paid for the use of money would be continued.

Before the management had the privilege of issuing another semi-annual statement, the doors of the bank were closed. This event happened a little after 2 o'clock on October 30, 1907.

Two Big Banks Unite.

The London, Paris and American Bank, Limited, was incorporated in England in January, 1884, and opened for business in this city on the 5th of the following March. It was largely the outcome of the incorporation of the private bank of Lazard Freres, previously for some years in existence in this city. It had a good clientele to start with, which it has enlarged from year to year through efficient management, which has embraced Messrs. Meyer, Cahn, Altschul, Greenebaum and Fleishhacker.

The paid-up capital of the bank on July 1, 1884, was $1,500,000 and $500,000 was called in the last half of the same year. The report for July 31, 1907, showed a paid-up capital of over $3,000,000 and resources of $8,460,200.

Soon afterwards the bank was re-organized under the Federal system, and in 1909 it took over the business of the Anglo-Californian Bank, Limited, when the corporate title was again changed to the Anglo and London-Paris National.

The report made by the bank under its new title for March 29, 1910, showed a paid-up capital of $4,000,000, surplus and undivided profits of $1,602,000; individual and other deposits of over $23,000,000 and total resources of over $32,000,000, making it the third largest bank under that system in the city.

More National Banks.

There were no additions or changes among the commercial banks of San Francisco in 1885.

In October, 1886, the private bank of Crocker-Woolworth & Co. went under the national system as the Crocker-Woolworth National Bank, with a capital of $1,000,000. R. C. Woolworth, before coming to this city, had been engaged in banking in Sacramento, and Charles Crocker of the big railway four had become much attached to him.

The Crocker Bank has had a prosperous career from the start, and for many years, even since the completion of the building at the gore of Market and Post, has been an occupant of the same.

Upon the expiration of its twenty-year charter in 1906, the same was renewed and the name changed to the Crocker National. William H. Crocker has been the president for many years. The report for September 1, 1909, showed a paid-up capital of $1,000,000 and a surplus of $2,200,000, with nearly $11,000,000 in deposits and $22,712,600 in resources. The Crocker Safe Deposit Vaults are in the same building.

The California National Bank was organized in November, 1886, with an authorized capital of $300,000, but did not open for business until January 3, 1887.

It made its first statement to the Comptroller under his call of December 28, 1886, when it reported a paid-up capital of $160,000. This was the fourth bank to open in San Francisco under national charter.

Though the bank succeeded in attracting considerable business at the start, it soon met with reverses, and after a run of about two years, it was obliged to suspend, making the second of that character in the city to fall out. It failed in December, 1888.

The only new local State bank to come into existence in 1887 was the American Bank and Trust Company, which opened on the northeast corner of Montgomery and Commer-

cial, a site that had been devoted to the banking business from the days of the pioneers. Subsequently it took the prominent corner of the Mills Building.

While in that location it was converted into the American National Bank under the leadership of P. E. Bowles, a prominent Oakland banker. Since this change, the bank has developed a large and prosperous business, and its outlook for the future is quite promising. It is now in the Merchants Exchange Building.

Private Banks Incorporate.

The private bank of Sather & Co. was incorporated in 1887 under the name of the Sather Banking Company. Pedar Sather, the senior member of the private banking firm of Drexel, Sather & Church, was one of the few private pioneer bankers of San Francisco who managed to preserve the solvency of his business through all trials of the early years.

Ten years later the above bank became the San Francisco National Bank, which was organized on December 1, 1897, thus continuing a banking existence begun in 1849. The San Francisco National Bank is the occupant of its own building, one that was erected in the sixties expressly for and exceedingly well adapted to the banking business, to which it has been exclusively devoted since its erection.

In 1888, the Market Street Bank was licensed to commence business with an authorized capital of $100,000, of which $25,000 had been paid up, and with W. J. Somers as president and H. C. Somers as cashier. This was the second bank of that name to enter the field, the first having been organized as a savings bank, and retiring after an uneventful career of about two years. The commercial bank of the same name started in 1888, also had a short life, voluntarily retiring in 1889.

The Mercantile Bank of San Francisco was incorporated in 1890, opening for business in June of that year when it reported a paid-up capital of $131,000. The promoters of

this bank did not meet with the encouragement expected, and voluntarily retired in the following year.

The private bank of Donohoe, Kelly & Co. started in 1864, was incorporated as the Donohoe-Kelly Banking Company in March, 1891, and continues in successful operation under the supervision of the son of its founder.

The private bank of Sisson, Crocker & Co., which started in 1890, was incorporated in July, 1892, and made its first report to the Bank Commissioners January 1, 1893, when the resources were given at $317,000. Subsequently this bank was absorbed by the Crocker-Woolworth National Bank.

Big Trust Company.

The Union Trust Company was incorporated in 1893, and for the first few years was classed as a savings bank. Since then it has been classed as a commercial bank and trust company.

This bank was the suggestion of Isaias W. Hellman, president of the Nevada Bank of San Francisco, and previously and also since quite prominent as a banker in the southern part of the State.

Mr. Hellman was enthusiastically supported in the new enterprises by men of large means. The par value of the shares was placed at $1,000 so as to keep them well under the control of the original purchasers. In fact it was understood that there should be no indiscriminate offering of the shares at public sale.

The bank has attained a prominent place among the financial institutions of the city with Mr. Hellman's son as vice-president and manager. It has just completed an elegant structure of steel and stone on Market street and Grant avenue with up-to-date safe deposit vaults and boxes.

The Columbian Banking Company was incorporated in 1893. The financial conditions of the country were not favorable at that time for the launching of new banks or for the maintaining existing ones on an even keel, owing to the

general panic which swept the country from the Atlantic to the Pacific, though much less forceful here than elsewhere.

The Bank of Commerce was incorporated on May 24, 1895, and continued in operation for several years, but was finally absorbed in the organization of the Western National, which was organized to take it over.

The Swiss-American Bank was incorporated in September, 1896, and is still in operation. Following the fire of April, 1906, it maintained a branch on Fillmore street for about three years. It has been growing steadily from the start and its statement for July 15, 1908, reported resources of nearly $2,600,000. It is an agency of the Banca Swizzera-Americana of Locarno.

Evolutions in Bank Names.

In the fiscal year of 1896-7, there was transferred to San Francisco from San Luis Obispo, the California Land Mortgage Union and Savings Bank, which was incorporated in October, 1890. This bank had been doing a fairly good business in that southern town, but the managers were ambitious, and hence the transfer.

There was no change in the name or organization at first, and the new addition to the financial forces of the city was put in the savings bank class.

In July, 1896, the bank reported its deposits at San Luis Obispo where it was doing business at the time at $656,100. A year later, when it was doing business in San Francisco, this item in the statement was put down at $527,500.

About two years later, the bank was reorganized and the name changed to the German Trust Company, the previous long name not being suitable to the stirring metropolitan city.

After the first statement had been published under its new and charter name, the German Savings and Loan Society objected to the use of the word German in the title as likely to lead to confusion.

Apparently the objection was not very well received, though it was given consideration, and when the next state-

ment was published, the title was the Germania Trust Company. At the close of 1899, the resources of the bank were over $1,000,000.

A little later, the managers made another change by a separation of accounts, under two new organizations. The trust business was put under the corporate name of Central Trust Company and the commercial feature under the corporate title of Germania National Bank.

The report of the Germania National for September 9, 1903, gives the paid-up capital $300,000; individual deposits. $230,500 and resources at $703,500.

Some months after the fire of April, 1906, it was voted to place the Germania National into liquidation, and that course was followed as rapidly as possible.

The Central Trust Company has developed much business locally, and also with financial institutions outside of the city. It has an admirable location on Market at the intersection of Sutter.

Another Big Trust Company.

On January 1, 1898, the Nevada National succeeded the Bank of Nevada, the latter having been started as a State bank in October, 1875. In 1905, the Nevada National absorbed the Wells Fargo & Co. Bank, a State incorporation, and the name was again changed to the Wells Fargo Nevada National. The primary organization has had a continued existence for thirty-five years.

In the month of March, 1899, A. Sbarboro and his friends incorporated the Italian-American Bank, which is still flourishing, showing steady gains from the start.

In the following April, the Mercantile Trust Company was incorporated with a capital of $1,000,000 and a very strong directory. The safe deposit vaults installed by the company are of a superior character. Its fine new building was not very seriously damaged by the fire of April, 1906, and it was the first bank to reopen after that great disaster, and also furnished quarters for the Clearing House. In 1908, it

took over the safe deposit business of the suspended California Safe Deposit and Trust Company.

Its first president was F. W. Zielie, who subsequently retired on account of his health. He was succeeded by N. D. Rideout, a pioneer and successful banker, who held the position until removed by death. For the past two years William G. Irwin, a wealthy Hawaiian sugar planter, has been the president.

The capital was soon doubled and a large reserve was accumulated. In July, 1908, the resources were given at $12,334,000. The capital at that time was $2,000,000; reserve, $1,500,000; surplus, $575,000; and individual deposits, $5,677,300.

The rapid development of the company's business made an enlargement of the premises necessary, and a considerable addition to the original quarters was the result.

In 1909, steps were taken to divide the business by placing the commercial feature under a new name but without changing the general management. This was effected in March, 1910, under the name of the Mercantile National, with a capital of $2,000,000 and a strong reserve. The business of both banks is under the same roof and officers.

Some Foreign Banks.

The Yokohama Specie Bank of Japan opened a branch in San Francisco in September, 1899, which has been managed satisfactorily and profitably. Soon after the fire of 1896, the bank erected a fine building of its own, which it has since occupied.

The Western National of San Francisco was incorporated in 1901, absorbing the Bank of Commerce, a State bank, in the operation. Upon winding up, the latter paid its depositors in full.

The Canadian Bank of Commerce, with headquarters in Toronto, Canada, established a branch in San Francisco in 1901 by taking over the business of the Bank of British

Columbia, which had been in operation here since 1862. Depositors were paid in full.

The City and County Bank of San Francisco was incorporated in April, 1902. It sustained a branch for three years after the fire, which was discontinued when the main bank went into new quarters on Market street.

The Comtoir National d'Escompte de Paris entered the San Francisco field in 1902, and retired honorably in 1904.

In addition to the Central Trust and Germania National Corporations in 1903, previously mentioned, there were several others.

One of these was the Commercial Bank and Trust Company. This bank was organized under the charter previously held by the Bank of Templeton, at Templeton, but which had discontinued business at that point. The Commercial retired in 1905.

The Market Street Bank originally organized in 1901, was permitted to resume in 1903, and suspended in 1905.

The Mission Bank was organized in February, 1903. It has met with much success at the Mission, where a bank of that character had been long needed.

The French-American Bank was incorporated in January, 1903, by the owners of the French Savings, but the two banks were put under the name of the French American Savings in the fall of 1909.

The American National succeeded to the business of the American Bank and Trust Company, as previously mentioned.

The International Banking Corporation of Connecticut established a branch in San Francisco in 1903.

The International Bank and Trust Company of America was incorporated in 1903, but never became active.

Banks of Brief Existence.

The Bay Counties Bank of San Francisco was incorporated in March, 1903, but retired without being much desired in 1906.

The Central Exchange Bank of San Francisco was incorporated in March, 1903, and in August, 1903, reported resources of $250, all in coin, which represented the paid-up capital.

The Federal Savings Bank of San Francisco was organized in March, 1903, and reported two years later its resources at $5,016. Just three deposits were received in 1904. No further report.

The Seal Rocks Bank and the Standard Bank were formed in the same month and year to do business in this city. In August, 1905, the former reported its resources at $544, and then subsided. On the same date the Standard had resources of $17,675, but retired 1906.

In the same month and year there were incorporated the United Bank and Trust Company and the West Coast Banking and Trust Company. The former reported a good line of business in August, 1905, and established a branch that year in Alameda. Neither reported in 1906, nor since.

Five banks for doing business in San Francisco were incorporated in 1904. These were the Alcalde, Alta California, Guaranty Trust, Oriental and Probate, but neither materialized. The Russo-Chinese Bank opened a branch in 1904, which is still in existence.

The Bank of Italy, incorporated in August of the same year (1904) has made good progress from the start, and is now housed in a seven-story steel frame structure of its own.

The State Savings and Commercial Bank was started in March, 1903, and suspended in 1909.

The Scandinavian Savings Bank of San Francisco was organized in December, 1904, and built up a good business quite rapidly. The organizers of the bank were so well pleased with their success that they divided the business later on by putting part of the same in a national organization of their own. Still later, the Scandinavian Savings was absorbed by the national organization, which is known as the Merchants National, and which in 1908 took over the business of the United States National of San Francisco.

Rush for Bank Privileges.

The year 1905 was especially fruitful in the organization of banks in California, owing to a temporary suspension of the Act creating the Board of Bank Commissioners. Scores of franchises were obtained, most of them for purely speculative purposes.

Those incorporated in that year on San Francisco account embraced the Bank of America, Citizens State Bank, Provident Bank, Seaboard Bank, Bank of South San Francisco, Manhattan Bank and Portuguese-American Bank.

In August, 1905, the Bank of America reported its resources at $290,768, including $232,500 paid-up capital. It retired in the following year.

The Citizens State Bank was always a small concern, and suspended in 1909.

The Seaboard subsequently went under the national system, and has done well from the start.

The Bank of South San Francisco made its first report in August, 1905, giving its paid-up capital at $50,000 and its resources at $67,279. Good progress since.

The Portuguese-American Bank is the first organized in San Francisco to appeal directly to the patronage of these people, and is meeting with much encouragement.

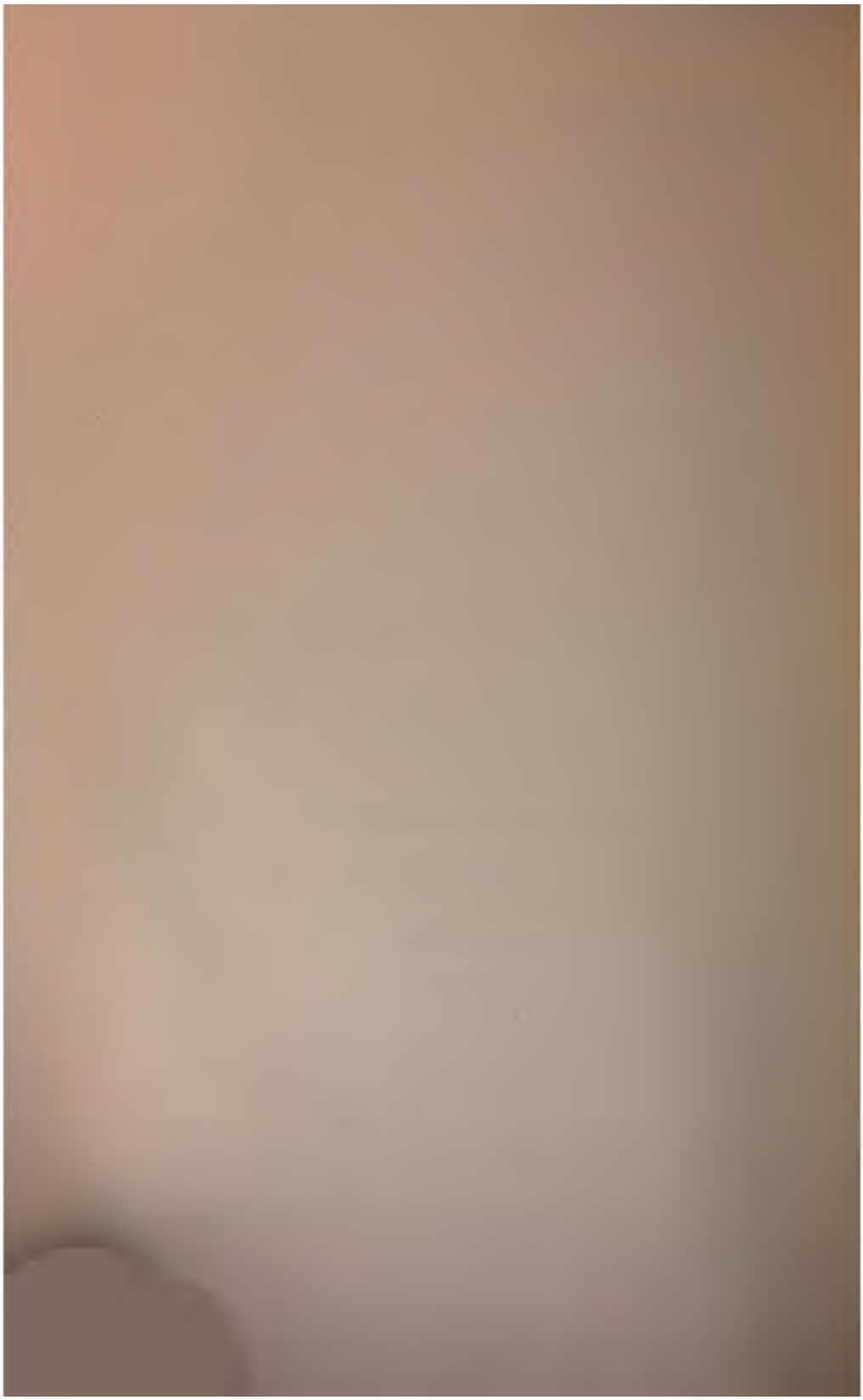
The Manhattan and Provident banks never became active, and departed without being mourned.

Three nationals were added to the list in operation in San Francisco in 1905.

One of these was the Citizens National, which was organized by parties affiliated with the Crocker National. After a fair trial the organizers came to the conclusion that they could put their capital to better use in a State bank, and the result was the Bank of San Francisco, which took over the business of the Citizens National.

The second was the National Bank of the Pacific, which was supposed to have some backing from the Western Pacific Railroad Company. The development was slow and not very

The Bank of California National Association, San Francisco, 1864-1910



encouraging, and in October, 1909, it was absorbed by the Western National.

The third was the United States National which became absorbed by the Merchants National in 1909.

The Metropolis Trust and Savings Bank was incorporated in 1906, succeeding to the business of the Phoenix Building, Loan and Savings Association, organized in October, 1889. The bank now occupies one of the modern structures built on Market Street since the fire and has in the basement safe deposit vaults of an up-to-date character.

The Merchants National was organized in November, 1906, by the management of the Scandinavian Savings Bank, to take over the commercial features of that bank. It did not open for regular work until January, 1907. It has made excellent progress from the start. In 1908, it took over the business of the United States National.

Japanese Banks.

Licenses were given in 1906 to three Japanese banks, two incorporate and one private. These were the Japanese Bank, the Japanese-American Bank and the Kimmon Ginko. The last named was a private bank, which became incorporated in March, 1908. All of these were subsequently closed out.

The year 1907 added materially to the list of banks in San Francisco.

The Imperial Bank was the first, having been incorporated in January, 1907, but it became embarrassed in less than two years and had to close.

The Union State Bank was organized in March, 1907, but got into trouble in the latter part of 1909, and was closed by the Superintendent of Banks.

The Bank of San Francisco was organized in May, 1907, to take over the business of the Citizens National, because the stockholders thought they could cover a larger field under State than under national authority. This bank subsequently established a branch to look after the savings department more exclusively.

A very small bank with a very large name came into operation soon after the fire, and in April, 1907, it was incorporated as the Bank of Greater San Francisco, the name it bore when it first opened as a private bank. The commissioners closed it in February, 1908, and the managers never realized the fruit of their ambition.

More New Banks and Changes.

The First Federal Trust Company was incorporated in August, 1907, by the management of the First National Bank. It has a capital of $1,500,000, which is invested in the lot and tall steel and stone structure on the northwest corner of Montgomery and Post. This is considered one of the most attractive buildings in the city. The two banks occupy the main floor and basement, which are fitted up in elegant style, with ample vaults of the most approved design.

The Canton Bank was organized in October, 1907. This is a purely Chinese bank, the first and only one in the State.

The Banca Popolare Operaia Italiana was organized in November, 1907, with a capital of $250,000. The bank has erected a suitable building for its exclusive use, and is meeting with commendable success. This makes four banks in the interest of the Italian community. All four have savings and commercial departments.

The Swedish-American Bank was incorporated in 1908, and is the first bank to make a direct appeal for the patronage of the large and industrious Swedish population.

The Seaboard Bank went under the national system in 1908.

The London, Paris and American Bank became a national bank in the early part of 1909, and was joined a few months later by the Anglo-Californian, Limited, under the name of the Anglo and London-Paris National. This merger placed under the national system two important foreign banks, which for all practical purposes were regarded as State institutions. The business of these two big banks, now under one management,

was installed in the fine building erected for that purpose on April 25, 1910.

As an incident to this merger, a new bank was formed under the title of the Anglo Trust Company, which also went into operation under favorable auspices in 1909.

The Marine Trust Company was substituted in 1909 for the Renters Loan and Trust Company, organized in 1890, but which only a few years ago made reports to the commissioners.

National Banks Capture San Francisco.

In February, 1910, The Bank of California was authorized by Comptroller of the Currency to transact business under the name of The Bank of California National Association. This movement had been under contemplation for some months. It did not meet with unanimous favor at first, partly from sentiment, no doubt. This was overcome to some extent, if not entirely by the consent of the Treasury Department to allow the bank to retain its State organization name with the simple addition of National Association. By a special act of Congress this privilege has been accorded a few banks operating under the national system.

As the oldest incorporated commercial bank in existence in the State, some of the patrons did not wish to take any action that would forfeit that prestige. This does not count for much after all. The bank will be known as The Bank of California in the future as it has been in the past.

In March, 1910, the Mercantile National Bank, previously organized by the Mercantile Trust Company, was authorized to commence business with a capital of $2,000,000.

The placing in operation of these two large national banks has given that form of banking the balance of power in the city.

The Bank of Commerce of San Francisco was licensed to do business about the first of the year. This makes the third bank of that name to start in this city, the other two having dropped out of the race.

Daniel Meyer, a pioneer among private bankers, is still in the field, and holding his own with the other money lenders. Mr. Meyer is practically alone in the private banking field in San Francisco, though of course there are many private money lenders in the city.

Antoine Borel has for many years been engaged along that line, but was never classed as a private banker by the State officials. Since the fire Mr. Borel has erected a very attractive building in which to transact his business.

Annexed will be found some statistics showing the development of the savings banks of San Francisco along general lines in one thousand-dollar amounts:

San Francisco Savings Banks Statistics.

JAN. 1 YEARS	NO. BANKS	CAPITAL SURPLUS	INVEST-MENTS	INDIVIDUAL DEPOSITS	ALL KINDS LOANS	TOTAL RESOURCES
1858	1	.....	.....	$ 20	$ 17	$ 22
1859	1	16	17	96	141	176
1860	2	32	15	69	254	410
1861	3	60	32	1,135	1,000	1,214
1862	4	100	221	2,952	2,800	3,357
1863	5	130	312	2,944	3,050	3,403
1864	5	186	215	3,858	3,800	4,462
1865	5	280	509	5,103	4,800	5,899
1866	5	310	715	7,393	6,950	8,506
1867	6	380	859	10,359	9,300	11,844
1868	7	591	1,078	17,166	16,500	19,532
1869	8	1,186	1,392	22,342	22,000	25,882
1870	9	1,375	1,582	26,634	25,676	30,287
1871	11	1,558	1,615	31,290	30,408	35,582
1872	11	2,011	1,815	37,033	36,343	42,398
1873	12	2,353	1,974	42,475	41,829	48,760
1874	14	2,591	2,014	46,971	46,557	53,968
1875	13	3,133	2,205	55,871	55,713	64,354
1876	13	3,686	2,502	56,298	56,657	65,828
1877	14	3,567	3,243	59,604	57,552	65,783
1878	12	3,775	3,400	60,631	57,642	65,600
1879	8	3,503	3,600	53,954	47,816	58,000
1880	9	3,354	3,811	42,342	33,096	45,842
1881	9	3,350	7,000	42,323	32,431	45,888
1882	8	3,259	11,232	44,914	28,641	48,410
1883	8	3,339	17,145	47,950	28,227	51,498
1884	8	3,425	16,507	51,897	31,864	55,568
1885	8	3,542	15,074	52,425	35,290	56,172
1886	8	3,794	13,450	53,487	39,383	57,485
1887	8	3,873	15,379	57,587	41,717	61,876
1888	8	4,007	17,700	63,154	47,079	67,390
1889	9	5,165	17,074	69,927	55,069	75,352
1890	9	5,724	15,165	79,086	65,681	85,149
1891	10	6,901	15,455	88,539	75,479	96,069
1892	10	7,262	16,375	97,601	83,274	105,640
1893	10	8,066	16,824	107,224	92,336	115,932
1894	11	8,627	12,256	101,463	88,597	111,032
1895	10	8,936	14,526	100,444	86,825	110,028
1896	10	9,453	20,240	105,189	87,024	116,109
1897	10	9,584	23,763	100,851	84,029	112,878
1898	10	9,455	32,542	105,192	74,472	115,631
1899	9	9,305	33,357	110,002	70,595	119,548
1900	9	9,517	46,987	115,688	66,317	127,317
1901	9	9,699	61,437	124,580	64,273	134,499
1902	9	9,885	63,551	133,430	68,662	143,525
1903	9	10,233	67,769	144,206	74,590	154,763
1904	9	10,612	69,237	154,907	75,729	166,467
1905	12	11,715	64,835	160,027	94,939	172,181
1906	12	12,365	65,858	169,538	104,091	182,355
1907	12	12,824	59,927	160,965	97,388	175,309
1908	12	12,718	48,190	147,095	100,643	163,665
1909	13	13,254	49,425	136,553	89,625	152,237

San Francisco Commercial Bank Statistics.

The State incorporated commercial banks of San Francisco present the following exhibit along the same lines of information.

(000's omitted)

JAN. 1. YEARS	NO. BANKS	CAPITAL SURPLUS	INVEST-MENTS	INDIVIDUAL DEPOSITS	ALL KINDS LOANS	TOTAL RESOURCES
1877	12	$30,329	$ 5,803	$ 38,686	$ 46,019	$ 83,895
1878	11	37,545	3,022	39,806	54,455	77,400
1879	8	26,815	3,500	26,050	35,215	55,592
1880	9	21,208	4,000	22,949	20,916	47,907
1881	9	21,208	4,500	29,949	20,116	47,909
1882	9	21,850	5,538	22,803	26,243	49,777
1883	10	24,416	2,430	22,153	23,244	51,392
1884	10	27,151	3,996	21,322	31,518	53,157
1885	11	27,366	1,737	23,387	36,502	59,806
1886	11	28,748	923	24,465	36,577	56,887
1887	11	25,990	1,607	26,944	36,679	58,906
1888	13	32,627	4,323	25,526	38,179	64,650
1889	14	33,859	2,993	26,185	38,530	65,755
1890	13	35,695	2,123	24,625	40,481	65,294
1891	14	37,324	1,894	24,709	42,597	68,591
1892	15	39,564	2,414	26,926	47,810	73,354
1893	16	39,351	2,536	28,223	47,485	74,643
1894	16	37,239	2,340	24,292	41,379	67,275
1895	16	34,236	3,298	30,391	40,345	71,201
1896	16	34,656	4,987	26,907	35,885	68,705
1897	15	30,222	6,493	29,081	36,953	68,339
1898	15	18,878	4,241	28,659	29,488	56,479
1899	16	23,159	5,819	34,516	33,325	64,122
1900	18	20,179	6,319	44,011	40,038	74,919
1901	18	21,659	6,727	46,271	40,326	76,543
1902	17	23,700	6,690	55,545	47,416	90,186
1903	19	30,524	7,732	67,853	60,720	109,295
1904	24	38,436	11,598	65,123	63,188	117,476
1905	32	41,493	12,683	71,460	64,758	127,374
1906	32	32,473	13,782	80,875	73,187	131,409
1907	40	35,808	18,067	101,902	84,635	157,157
1908	40	37,028	15,357	70,225	72,556	130,631
1909	34	32,256	14,418	62,572	53,369	111,035

The new State system of departmental banking in vogue since July 1, 1909, makes it impracticable to give separate classifications for 1910. Combined, the totals of the State banks in San Francisco for March 29, 1910, show a considerable decrease because of the transfer of large accounts to the National system.

Similar statistics from the reports of the National Banks of San Francisco are herewith appended.

San Francisco National Bank Statistics.

(000's omitted)

JAN. 1 YEARS	NO. BANKS	CAPITAL SURPLUS	INVEST-MENTS	INDIVIDUAL DEPOSITS	ALL KINDS LOANS	TOTAL RESOURCES
1872	1	$ 1,041	$ 500	$ 199	$ 852	$ 1,517
1873	2	2,563	500	2,472	4,325	6,652
1874	2	2,639	700	2,500	3,540	7,404
1875	2	2,716	700	4,672	5,392	9,623
1876	2	3,341	600	2,595	3,844	7,417
1877	2	3,262	620	1,152	3,355	5,314
1878	2	2,858	600	1,331	3,028	5,181
1879	2	2,893	580	1,529	3,065	5,541
1880	1	2,153	570	984	2,142	4,022
1881	1	1,662	560	1,185	2,201	3,996
1882	1	1,680	550	1,695	2,281	4,578
1883	1	1,694	570	1,949	3,065	4,813
1884	1	1,711	575	1,533	2,148	4,101
1885	1	1,725	590	1,029	1,967	3,496
1886	2	1,734	720	1,090	2,147	3,729
1887	2	2,748	780	1,963	3,491	5,073
1888	3	3,345	1,200	3,048	4,786	8,051
1889	2	3,210	1,150	4,182	5,539	8,682
1890	2	3,404	251	3,640	5,433	7,656
1891	2	3,482	246	4,520	6,164	8,255
1892	2	3,450	350	4,079	6,148	9,511
1893	2	3,778	270	3,982	6,357	9,457
1894	2	3,902	373	3,436	5,985	8,988
1895	2	4,018	362	4,514	6,697	9,967
1896	2	4,425	489	4,747	6,800	10,375
1897	2	3,990	510	5,946	7,275	11,900
1898	4	8,534	3,420	14,916	13,402	28,645
1899	4	8,600	3,340	15,500	15,000	32,005
1900	4	9,132	3,268	16,834	17,327	35,025
1901	4	9,593	6,750	15,392	18,573	34,891
1902	5	9,650	8,975	18,607	22,000	29,411
1903	7	11,011	12,400	21,679	24,478	53,668
1904	7	12,146	15,310	21,314	26,027	57,126
1905	7	12,810	17,924	22,464	26,566	61,008
1906	10	19,211	13,215	36,954	51,219	98,091
1907	11	21,299	28,052	52,135	61,067	127,417
1908	9	23,281	26,414	31,785	45,704	98,821
1909	10	27,087	25,666	46,646	53,276	114,436
1910	9	29,716	24,580	49,368	69,319	137,175
*1910	11	47,222	34,642	77,673	100,964	199,352

*March 29, 1910.

San Francisco may well be congratulated upon the development of its banking resources since the incorporation of its first bank for the conservation of the surplus earnings of its inhabitants.

From an aggregation of $20,000 in these deposits at the end of the first semi-annual term of the pioneer bank in this line of economy, the total has been increased to nearly $170,000,000 in 1906, just previous to the great disaster by fire and earthquake.

Though since then there has been a material reduction in these credits as carried on the books of the banks strictly classed as savings institutions, some of the apparent loss may doubtless be traced to the savings departments now so common in the commercial banks of the city.

A comparison of the other items in these annual statements of these savings banks is equally encouraging.

From a combined capital and surplus of $16,000 fifty years ago, the total now exceeds $13,000,000.

The investments in bonds and stocks of $2,502,000 in 1876, the value of such investments reached over $69,000,000 in 1904. Savings banks have always found it to their advantage to carry good lines of these liquid assets to meet emergency calls for money.

From $17,000 in loans in 1858, there was a total of $104,000,000 carried in 1906 and over $100,000,000 in 1908.

While the aggregate resources of the single savings bank in operation in the city in 1858 were only $22,000, these resources in 1906 were over $182,000,000.

In the early years of incorporated commercial banks in San Francisco, little publicity was given to their condition, and any general summary of even the leading items was unknown.

Not until 1876 was there any legislation requiring public reports of a more or less uniform character from these banks. That was two years before State supervision was provided.

In 1877, the combined capital and surplus of the commercial banks of San Francisco was $30,329,000. A few years later, because of bank troubles, this item was reduced to a little over $21,000,000. There was another period of reduction, but from another cause, in 1898 to 1901. The cause at that time was the transfer of some large State banks to the national system. The maximum of capital and surplus was reached in 1905 when the total was over $41,000,000, against a minimum total of less than $19,000,000 in 1898.

The same factors have had their influence on all the other items in these statements of the city commercial banks.

As will be noticed, the value of the stock and bond investments has varied considerably, while the general trend has been upward. The smallest amount so invested was $923,000 in 1886, while the largest was $18,000,000 in 1907. The banks loaded up with these quick assets in that year for the anticipated trouble that followed a little later.

There was a heavy shrinkage in the deposits following the panics of 1878, 1893 and 1907. In the first instance the total fell from $38,000,000 to less than $23,000,000. In the second instance there was a drop of $4,000,000 and in the last instance the reduction was over $31,000,000.

The extreme levels in these deposit accounts were $21,000,000 in 1884 and $102,000,000 in 1907. The total for the last named year carried the unusual element of insurance payments for losses of 1906.

Loans naturally contract under stringency in the money market. Two causes contribute to this shrinkage. These are more conservative loaning and the recall of borrowed money.

These outstanding loans were the smallest in 1881 and the largest in 1907, the respective totals being $20,000,000 and $84,000,000, a difference of $64,000,000.

Of course the same variable features have characterized the aggregate resources.

The first national bank opened for business in San Francisco in January, 1871. For the first quarter of a century

there was but little movement in the establishment of these banks.

At no one time was there over three of these banks in operation here, and the third bank did not survive two years. In seven of the other years there was only one bank of this kind.

At the end of the first twenty-five years the number was increased from two to four banks, and it has never since been less, while at no time has it exceeded eleven. The average for the past five years has been ten.

The several items in the report given above did not show much increase until new banks were added in 1898, when two State banks were taken into the fold.

The three new ones that appeared in 1903 had a marked effect all along the line.

Later on, when other big State banks were added, the various items were considerably augmented.

Bank Publicity Legislation.

Agitation that results in the adoption of remedial measures for the better protection of the people is a good thing, whatever may be said of the other kind.

There had been agitation over an improvement in the bank service of the State. It had been in progress for some time. It was earnest and quite general, and it received a new accession of power and scope by the bank failures in the fall of 1875.

The demand was for greater publicity and clearer statements of the conditions of the banks.

Some of the managers of at least some of the banks thought these demands were impertinent, and of course were opposed to granting them.

Other managers were as strongly in favor of conceding the requests for information.

There was still an undercurrent of feeling among many that it would not be to their advantage to disclose too much

of the inner workings of their banks lest rivals would take advantage of the same and so reduce profits.

The matter was carried to the Legislature. The members of this body had been chosen while the very atmosphere was charged with the reform element.

A bill was introduced calling for the publication of semi-annual statements by the banks on the 1st of January and the 1st of July. Many of the savings banks had been doing this very thing for years. The commercial banks, however, had not followed their example to any extent.

The proposed legislation met with the usual treatment, but, after the members had exhausted themselves in trying to shape it to suit all classes, it was finally passed.

The first section of the new law reads, in part, as follows:

"Every corporation and all persons and every person hereafter doing a banking business in this State shall publish," etc.

The bill called for semi-annual statements of condition on the 1st of January and July of each year to be published in a paper of general circulation at the place of business of the bank or in the county.

There was no penalty fixed for non-compliance with this law, and hence its weakness.

First General Bank Statement.

The private bankers of the State generally ignored the new law, claiming that they were not subject to its provisions because they had not asked the State for a franchise to transact a banking business.

The agencies of the foreign incorporated banks doing business in the State treated the new law with more or less indifference.

The first publication under the law was made for July 1, 1876. From these reports the writer made a compilation of the paid-up capital, deposits and cash of the several banks.

At the second publication of these statements, showing

the condition of the banks from December 31, 1876, the same gentleman made another compilation on a more extended scale.

So far as can be recalled, this was the first general statement of California banks ever published.

It gave the name of each bank, city and county location, the names of the president and cashier of the same, the coin capital, reserve fund, amount due depositors, loans and discounts, stock, bond and real estate investments, cash on hand, and earnings, expenses and dividends for the six months.

There was no provision in the law calling for statements of earnings, expenses and dividends, but the savings banks had been accustomed to furnish information along these lines, and so it was personally solicited from the commercial banks as well in the blanks sent out for the purpose.

The compilation for that date included reports from one hundred and one banks, doing business in thirty-five counties of the State, showing that the other seventeen counties were without banks of any kind except as administered by individual firms.

All the banks in the list were incorporated except six, one of which was in Butte County, two in Marin County, one in Siskiyou County and two in Yolo County.

The incorporated banks embraced nine under the national system, and which at that time were known as gold note banks, as distinguished from the currency banks under the same system in all the other States.

Two of these gold note banks were in Oakland, one at Sacramento, one at Stockton, one at San Jose, one at Santa Barbara, two at San Francisco and one at Petaluma.

This left eighty-six State incorporated commercial and savings banks in operation on January 1, 1877.

Some Early Interior Banks.

The ten private banks in operation in San Francisco on that date made no reports for publication, and of course were left out.

Starting on January 1, 1877, with the eighty-six incorporated banks in active operation, it will be interesting to trace the subsequent growth of these institutions so far as possible.

With reference to such banks in San Francisco this has been covered as completely as available sources of information have allowed.

Many of the interior incorporated commercial banks which were in the race in 1877 are still in operation and under their old names. Others have gone into the national system with such slight change in name as was necessary.

Of the interior commercial banks established in the sixties and still in existence under their old names may be mentioned the Stockton Savings and Loan Society, organized as a savings bank but for many years in the commercial class; the Bank of Sonoma County at Petaluma, the Bank of San Jose, the San Joaquin Valley Bank at Stockton and the Bank of Woodland, the last named three being organized in 1868 and the other two in 1867 and 1866. The Bank of Sonoma County is the senior in this list.

Thirty-three of the State interior commercial banks organized in the seventies were still doing business on the 1st of January, 1910.

Those of the 1870 class are the Santa Rosa Bank, the Colusa County Bank and the Petaluma Savings Bank.

Those of the 1871 class are the Farmers and Merchants Bank of Los Angeles, Bank of Gilroy and the Bank of Napa. The first named went under the national system in 1903.

The Bank of Chico appears to be the only one in existence of the 1872 class.

Of the 1873 class there remain the following: Banks of Butte County, Dixon, Hollister and Martinez; Farmers and Merchants Bank of Healdsburg, Farmers Co-operative Union of Sutter County at Yuba City, Humboldt County Bank of Eureka, Salinas City Bank and Savings Bank of Santa Rosa.

There are ten survivers of the 1874 class, as follows: Banks of Healdsburg, Lake, Tehama County, Ukiah, Ventura, Visalia, Watsonville and Wheatland; Commercial and Savings Bank of San Jose, Farmers Savings Bank of Lakeport and Kern Valley Bank at Bakersfield.

The two banks of the 1875 class are the Sonoma Valley Bank at Sonoma and the Bank of Santa Cruz County at Santa Cruz. The last named went under the national system in 1910.

The Bank of Suisun and the Citizens Bank of Nevada City, organized in 1876, were still in operation in 1910.

The Farmers and Merchants Bank of Healdsburg, organized in 1877, and the Modesto Bank of 1878 are still in the field.

The years 1877, 1878 and 1879 were not favorable to the organization of banks of any kind in any part of the State.

In their first report for July, 1878, the Bank Commissioners could find only eighty-four incorporated State banks in California, of which fifty-six were classed as commercial and twenty-eight as savings banks.

First License Under Bank Commission.

The Bank Commissioners issued their first license to a bank to commence business in 1878, and from that time until they were legislated out of office by the adoption of a new system for the supervision of banks in 1909, a period of thirty-one years, they granted hundreds of such licenses.

In their report for the year ending August 11, 1900, the Commissioners reported 160 incorporated commercial banks in operation in the cities and towns of the State outside of San Francisco.

At least 39 of these banks were not in operation under their original names in 1908. It is known that several of these had in the meantime gone under the national system.

The 39 which retired from the State system during that interval through failure or the process of conversion were all incorporated between 1873 and April, 1900.

One of the oldest in this list was incorporated in 1873, another in 1874, another in 1875, another in 1881, another in 1882, four in 1886, eight in 1887, two respectively in 1888, 1889 and 1890, six in 1891, three in 1893, two respectively in 1894 and 1898 and one respectively in 1895, 1896 and 1900.

It will be noticed that three of these retired banks were in operation prior to the advent of the Commissioners, while all the others received their licenses to transact business from these officials.

The illustration is inserted to show the transitory character of the banking business.

Bank Changes Under Commission.

There is of course another way of looking at this feature. Of the 160 incorporated commercial State banks in operation in the interior of the State in April, 1900, it is known that 131 were still in operation in July, 1908, doing business at the old stands and under the old names. This list includes about 40 that were in business prior to 1880.

During the first four years that the Bank Commissioners were in service there were not many new banks opened in the State of any kind. It was a period of examination and of sifting the bad from the good.

From the 84 incorporated banks reported to be in existence by the Commissioners on July 1, 1878, the number was cut down on January 1, 1882, to 76, of which 59 were classed as commercial and 17 as savings. During that interval there was a net gain of three commercial banks and a net loss of eleven savings banks. Most of the latter had gone into voluntary or involuntary liquidation.

On January 1, 1883, the Commissioners reported 82 banks in the State under their supervision, a net gain of 6. A

similar net gain was reported in the following calendar year, three in 1884, six in 1885 and one for 1886.

From January 1, 1882, to the close of 1886, the number of banks had been increased from 76 to 98, a net gain of 22. In the meantime there had been nearly that number of new banks opened, but there had been at least one failure and two conversions to nationals.

The year 1887 was characterized by great activity in the starting of State incorporated banks. Twenty-five new banks were added in that year. Twenty of these were in the counties south of San Francisco, including five in San Diego County, four in San Bernardino County and six in Los Angeles County.

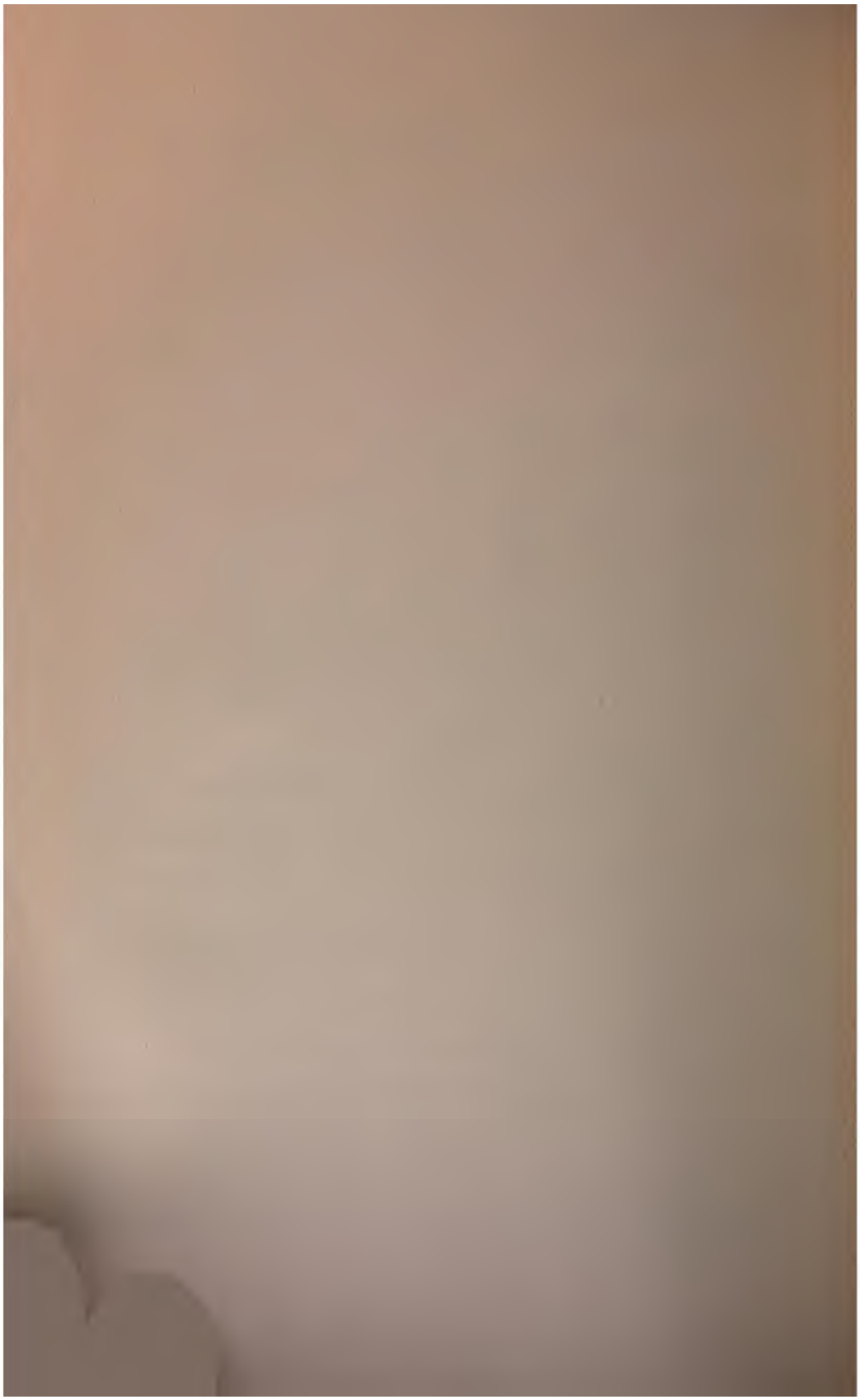
On January 1, 1888, the Commissioners reported 121 banks under their supervision, of which 99 were classed as commercial and 22 as savings. This showed a net gain of 23. The two retirements in 1887 were the Santa Barbara Savings, organized in 1886, but changed to a commercial bank in the following year, and the Pasadena Savings Bank. The last named was organized by Caspar T. Hopkins, for many years the president of the California Insurance Company of San Francisco. Six months in the bank business satisfied Mr. Hopkins, who honorably retired at the end of that interval.

In the same report 29 private banks were mentioned as doing business in the State, the Legislature making it obligatory for these banks to report to the Commissioners in 1887.

Seventeen more new banks were opened in 1888, of which fifteen were commercial and two savings. Five new private banks were also added, making a total gain of 22.

The State banks reporting for January 1, 1889, numbered 172, of which 114 were incorporated commercial, 24 savings and 34 private. The Commissioners also reported 35 national banks, against 33 the year before, when these banks first sent in statements to the Commissioners.

German Savings and Loan Society, San Francisco, 1868



In 1889, there were 22 banks incorporated, of which 14 were commercial and 8 savings. Three commercial banks and 7 private banks were dropped, 5 of the last named by incorporation. Three new private banks were started. The number of banks reporting for January 1, 1890, was 187, of which 125 were commercial, 32 savings and 30 private, a net gain of 15 for 1889.

New bank incorporations for 1890 embraced 18 commercial and 9 savings. Two commercials retired, one for want of support and one through a merger. One savings changed to commercial. Several private banks went into corporations. On January 1, 1897, the number of banks reporting was 207, of which 142 were commercial, 41 savings and 24 private. The net gain for the year was 20.

In 1891, there was a net gain of 13 banks, the total for January 1, 1892, being 220, of which 133 were commercial, 49 savings and 18 private. Five of the private banks dropped in 1891 changed to corporate banks.

The failure of Belloe & Co. in March, 1891, removed the last private bank from San Francisco, though in the early years there were 38 of these banks in operation in the city.

In 1892, there were 18 new commercial banks and 9 savings banks added to the State, including two changes from private to corporate. Three new private banks were also started. Three commercial banks retired. The number reporting for business on January 1, 1893, was 242, of which 168 were commercial, 57 savings and 17 private. One savings retired. The net gain for the year 1892 was 22 banks.

In 1893, the banking business throughout the country was in a state of considerable unrest, which of course affected California, though not so seriously as some of the other States.

Thirteen new commercial and four savings banks were incorporated in the State during that year, nine of the former and all of the latter in the first six months. The panic wave of 1893 did not reach this Coast until June.

Several banks suspended, but in most cases the suspension was only temporary. The net gain for the year was seven banks.

On the 1st of January, 1894, the Commissioners reported 249 banks under their jurisdiction in operation, of which 175 were commercial, 60 savings and 14 private.

In 1894, there were only five new banks opened, all of the commercial class. Nine commercials and one savings retired. A national bank at Petaluma went under the State system. There was a net loss of two banks in that year, the total number reporting on January 1, 1895, being 247, of which 171 were commercial, 59 savings and 17 private.

In 1895, there was one savings and five commercial banks added. The retirements were 3 savings and 3 commercials, one of the latter by a merger. The number of banks on January 1st was given at 253, of which 175 were commercial, 57 savings and 21 private.

The bank of Kingsburg at Kingsburg was removed to San Francisco in 1895, and was opened in the month of October as the Market Street Bank.

There was a net loss of four banks for the year ending November 30, 1896, when the total was given at 249.

Between the last named date and March 5, 1898, there were two new commercials, one savings and two privates added, while two commercials retired, showing a net gain of only three banks. The total number reporting was 252, of which 171 were commercial, 58 savings and 23 private.

In 1898, three savings and three private banks were cut out and three commercials inserted, making the total number 249, a net reduction of three banks.

For the year ending November 30, 1899, two savings and two private banks retired, making the total 245, a further reduction of four banks. These two years were quite unusual in the history of bank making in the State. At that time there were 174 commercial, 53 savings and 18 private banks in operation under the supervision of the Commissioners.

The subsequent reports more nearly followed the calendar years. The one for 1900 was submitted on December 23 of that year, when 251 banks were reported, a net gain of 6, all in the commercial class.

In 1901, there was a further net gain of 6 banks, all of the savings banks order. A loss of two commercial banks was offset by a gain of two private banks. The total at the end of that year was 257.

In 1902, there was a net gain of 16 commercials, 3 savings and 1 private, making an addition of 20 banks, and increasing the total to 277.

The next report was dated January 28, 1904. In the interval of about thirteen months there was a net gain of 25 commercial and 11 savings, and a net loss of one private, or a total net gain of 35, making the grand total 312.

In the following twelve months, there was a net gain of 37 commercials, 18 savings and two privates, swelling the total to 369, a net gain of 57 banks, the largest ever reported.

For the calendar year of 1905, there was a net gain of 27 commercial, 22 savings and 8 private banks, or a total of 57 banks, just the same as in 1904, the grand total being 426.

In 1906, there was a net gain of 47 commercials, 16 savings and 6 privates, or a total of 69 banks, making a total of 495.

In 1907, there was a net gain of 21 commercials and 1 savings and a net decrease of 17 privates, thus reducing the net gain to 5 and making the grand total just 500.

In 1908, there was a net gain of 8 commercials and 1 savings and a loss of 4 privates, making the grand total 505, a net gain of five banks.

The last report of the Commissioners is dated April 28, 1909. This gives the number of banks in the State as 494, a decrease of 11. These consisted of 348 commercials, 131 savings and 15 private banks.

All California Banks Under State Supervision.

(000's omitted)

JAN. 1 YEARS	NO. BANKS	CAPITAL SURPLUS	INVEST-MENTS	INDIVIDUAL DEPOSITS	ALL KINDS LOANS	TOTAL RESOURCES
1876	91	$49,206	$ 7,789	$119,835	$129,413	$182,460
1877	92	55,178	11,294	129,103	146,687	188,763
1878	84	46,231	6,442	100,128	106,118	151,932
1879	83	45,921	7,039	76,730	83,990	126,155
1880	78	35,836	8,923	79,278	70,508	119,575
1881	77	34,774	17,880	81,125	73,072	121,406
1882	76	35,316	18,828	86,392	74,998	128,088
1883	82	37,859	22,266	93,037	77,814	137,597
1884	88	41,832	20,785	97,273	91,384	145,933
1885	91	43,837	19,937	95,768	98,502	151,236
1886	97	46,831	16,364	92,273	103,059	150,735
1887	98	44,979	19,214	110,790	107,386	163,690
1888	150	58,298	24,733	133,376	134,561	201,393
1889	172	63,342	22,071	139,660	143,916	211,720
1890	187	68,338	20,881	148,651	160,944	226,393
1891	207	72,515	21,165	163,140	177,620	246,031
1892	220	76,245	22,849	178,033	192,892	264,000
1893	242	79,459	23,846	194,761	212,270	286,134
1894	242	78,911	18,313	177,377	194,830	265,860
1895	247	76,519	22,002	180,687	190,807	271,379
1896	253	76,660	31,188	186,065	186,990	276,678
1897	249	66,697	35,055	182,808	174,249	263,053
1898	252	60,457	44,517	195,075	165,582	267,912
1899	249	64,733	50,816	212,171	167,326	286,247
1900	245	60,901	70,585	240,612	170,302	316,015
1901	251	63,249	77,291	258,928	177,723	334,045
1902	257	66,242	84,755	290,076	194,922	371,548
1903	277	75,506	97,301	335,416	228,768	426,924
1904	312	86,166	105,624	350,904	253,102	456,312
1905	369	93,778	104,411	378,074	281,574	490,413
1906	426	91,614	108,944	433,308	322,722	549,652
1907	495	100,372	114,464	500,782	366,993	632,866
1908	500	107,055	105,638	437,405	358,067	587,795
1909	505	104,802	101,157	409,670	321,895	546,869
1909	494	103,202	104,468	421,572	324,410	552,353
*1910	477	93,140	107,556	440,232	339,893	554,283

*March 29, 1910.

The first statement in the foregoing table is for December 31, 1876, and is from the second semi-annual publication of reports under the law of 1876. The following four statements are for July 1st in the years named. The subsequent reports are for January 1st until 1896, when three reports were demanded instead of two. The third report for each of the subsequent years has been compiled from that nearest to the 1st of January, which has been generally fixed about the end of December.

The totals are given in thousands of dollars, and the capital, surplus and undivided profits have been combined for the sake of brevity.

The investments are exclusive of real estate holdings, whether in the form of bank premises or property taken for debt, being restricted to bonds, stocks and personal securities, much of which are interest bearing.

The deposits are exclusive of moneys due banks and all public moneys.

The loans comprise all descriptions allowed the several classes of banks under the laws of the State.

The statements from 1876 to 1887, both years inclusive, are confined to the incorporated commercial and savings banks under the supervision of State officials.

Statements from the private banks of the State were first incorporated in the report for January, 1888, and appear in all the subsequent statements. It was only in 1887 that the private banks were ordered to file semi-annual statements with the Commissioners. It was several years later that the Commissioners were empowered to examine the private banks in addition to their other duties.

Private banks have existed in the State from the start, and the number has varied from 15 to 40. The first statement to the Commissioners embraced 29 of these banks.

The variations in the items covered in the foregoing statements are mainly due to business depressions through impairment of confidence, either of a local or general character.

Unsound banking in isolated cases, whether due to ignorance or from criminal intent, have often caused the best managed banks much trouble and some loss. Conscientious bankers have a right to insist that all who engage in the business shall maintain a high standard or go to the wall.

National Bank Progress in California.

Thus far in this story general consideration has been mainly confined to only one form of banking, namely, that known as the State bank system.

In this State, as elsewhere, the national bank system has been in operation for many years.

California did not take to this system as promptly and as cordially as most of the other States, because she did not like the conditions imposed of using as currency notes of such variable value as those in circulation as money on the other side of the country.

Besides, there was no necessity here for pursuing that course, even if the State could have been assured of an ample and permanent supply of that kind of money.

With the banks and bankers on the other side of the country, the adoption and use of national currency was not a question of choice, but one of necessity.

Coin money was relatively as scarce when this new banking system was introduced on the Atlantic Coast as paper money was on the Pacific Coast. Furthermore, while not daring to interfere with the right of State banks to issue notes to be used as currency, Congress did virtually interpose its objection to the further use of that privilege by the adoption of an act imposing a tax of 10 per cent on State bank note circulation.

California not only at first refused to use the national paper currency as a circulating medium, but by its organic act denied the State banks the privilege of issuing notes for their own use as money

But for one fortunate circumstance, banking in California would have been up against a hard proposition. It had a source of relief for its monetary system that no other section of the country possessed, or at least that no other section of the country had discovered in suitable volume.

It had an abundance of the raw material from which the best money of the world has ever been made. Hence its thorough independence and its Gibraltar position on the currency question. While the value of the national paper currency was bobbing up and down like a cork on the waves, California handled such currency as it handled other forms of merchandise, and it was bought and sold daily by brokers.

It was owing to this condition of things that State incorporated banking secured a start of ten years over national banking in California. The interval of delay would have been much longer if Congress had not conceded California's idea of a paper currency by the passage of an act amendatory of the national bank act, which provided for the establishment of gold note banks, such notes to be redeemable in gold coin upon demand by the banks issuing the same.

This proved to be a good object lesson in the interest of sound banking not only in the country, but throughout the world. It undoubtedly hastened the return to specie payments in the United States and the adoption by Congress of a monetary standard that has no superior in any part of the world, and which has for many years maintained all its varied forms of money on the gold coin parity basis.

Though the adoption of the national banking system in California did not occur until nearly twenty years after it was introduced and put in operation in nearly every other State in the country, it has gained at last a prominent position in fiscal affairs and one that bids fair to become as permanent as it already is prominent.

The history of national banking in California, though more or less familiar to those directly engaged in it, is a story of considerable interest to the general public.

The first bank of this character established in the State was of course a gold note bank. This was organized in San Francisco in November, 1870, and was formally opened for business at the beginning of the following year. The first lot of gold notes for circulation in the State did not arrive until March, 1871.

These notes looked very good and readily passed from hand to hand because of the promised form of redemption which they bore. The bank to which these notes were consigned occupied the building on the southwest corner of Montgomery and Sacramento streets, and, while the notes that went out of the doors of that building were accepted at their full face value, brokers on the corner directly opposite were selling United States notes for 85⅝c to 92¼c in coin to the dollar, the average for 1871 for such notes being 90c on the par value.

The bank then and there established is still doing business, not at the old corner nor exactly under the old name. The bank, however, has always been located on a corner. Upon the completion of the Nevada Building, it moved into the southwest corner of that structure at Montgomery and Sumner streets. Later it purchased the northwest corner of Bush and Sansome streets, and erected a substantial four-story building of its own, occupying the main floor for its general offices and the basement for safe deposit department and vaults.

It was in that building when the great fire of April, 1906, destroyed the greater part of the business district of the city. The walls of the first story were saved and roofed and furnished a temporary place for the business of the bank until the completion of its new skyscraper building at the northwest corner of Montgomery and Post streets, a structure of which the city is and well may be proud.

This bank was organized as the First National Gold Note Bank, with a capital of $1,000,000. When specie payments were resumed by the Government in January, 1879, and when

every paper note dollar was as good as gold coin in all parts of the country, there was no further need of maintaining the specific name of gold note banks, and all the banks of that character that had been organized in California, the only State that had given them a place, surrendered their charters and accepted those common to all other national banks.

The difference between these gold note and currency national banks, apart from the feature pertaining to the redemption of notes, consisted in the percentage of notes allowed for circulation on the Government bonds deposited for that purpose. The currency banks were then receiving in notes for circulation 90 per cent of the face value of the bonds deposited, while the gold note banks were allowed only 80 per cent.

This fact, in connection with the determination of the Government to maintain all its paper money on a par with a coin standard, led the change from the gold note to the currency system. Later on the Government allowed all the national banks to take out notes for circulation for the full par value of the bonds deposited.

The First National of San Francisco did not have to wait long for associates. The first to join its company in the city was the National Gold Bank and Trust Company, in 1872. This was effected through the conversion of the California Trust Company, a State bank organized in 1867.

There were no further additions to the system in San Francisco for several years, but in the interior there was considerable activity in forming such organizations.

Oakland promptly put two in the field under the names of First and Union. The first named is still flourishing and is stronger than at any previous time in its history. The Union was obliged to close in April, 1909, after an existence of 34 years, having been organized on May 20, 1875.

Six others were organized at different points in the interior between 1871 and 1875, both years inclusive.

There were the First National Gold Bank of D. O. Mills & Co. of Sacramento, the First of Stockton, Petaluma, Santa Barbara and San Jose and the Santa Barbara County National.

At the expiration of its charter, the First of Petaluma went under the State system. The National Gold and Trust Company retired in 1879, so that of the ten gold note national banks in operation in the State on the 1st of January, 1877, seven remain.

These ten banks formed the nucleus about which has since been gathered a considerable host.

In the report of these ten banks for December 31, 1876, it is learned that their paid-up capital was $4,520,000; reserve and surplus, $344,300; individual deposits, $3,202,000; loans and discounts, $5,945,500; investments, $519,500.

The First National of San Francisco, the statement of which is included in the above totals, reported a paid-up capital of $2,000,000 and individual deposits of $1,228,000.

After this first spurt in the organization of these banks, there was a comparative lull in that kind of business for several years. These nine banks were organized prior to December, 1875. That was the number reporting for that date and also on the following three years. The dropping of a bank in San Francisco in 1879 reduced the number of these banks in the State in October of that year to eight.

The First of Los Angeles was organized in August, 1880, from a State bank which had been in existence since 1875. Resources are now over $18,000,000.

One new bank was added in 1881, another in 1882 and four in 1883, and one in 1884. This brought up the number to 15 in 1883, which was also the number up to March, 1885.

In response to a personal request from the writer, the comptroller forwarded an abstract of the condition of the national banks in California as reported to him on March 10, 1885.

The national banks in operation in the State on that date were fifteen, as follows: Alameda First; Los Angeles First and Los Angeles; Modesto First; Oakland First and Union; Petaluma First; Sacramento, D. O. Mills & Co.; San Francisco First; San Jose First; San Diego First and Consolidated; Santa Barbara First and Santa Barbara County; and Stockton First.

These banks reported a paid-up capital of $3,550,000, of which $1,500,000 was represented by the single bank in San Francisco. The surplus fund and undivided profits of these banks amounted to $1,183,700; individual deposits, $6,409,600; loans and discounts, $7,487,100; investments, $1,833,500; and resources, $12,956,800.

The amount of the circulating notes issued to these banks was $1,357,590, and with the exception of $970, the entire amount was out.

Two of the four banks added in 1883 were the Los Angeles of Los Angeles and the First of San Diego, while the First of Modesto was added in February, 1884.

There was a net gain of two in 1885, which were the First of Fresno (converted from State) and the First of Riverside. This brought the number reporting to the comptroller in the fall of 1885 to 17.

This was the total net gain in the operation of the system in the State for the first fifteen years.

Just at this point quite a change took place in the organization of these banks. New interest was developed and a quickened movement followed. The first charter issued to national banks began to expire in 1882, and Congress in that year provided for a further extension of such charters for another score of years.

The amendments made to the national bank laws at the same time were of a more favorable character, and this was probably the cause of the new and enlarged interest manifested.

Seven new national banks came into existence in 1886,

one in San Francisco, one in Santa Rosa and the other five in the southern part of the State.

The one in San Francisco was the Crocker-Woolworth, which was organized from the State bank of that title. The one at Santa Rosa was given the name of Santa Rosa.

The five opened in the southern section were the First and Pasadena Nationals of Pasadena, Merchants of Los Angeles and First of Pomona and Santa Ana.

That was the best work done along this line up to that time, but just twelve months later the comptroller reported thirty-three of these banks in operation in the State, so there must have been a net addition of nine during that interval.

The names of the nine new banks reporting for the first time in 1887 include one at each of the following points: Colton, Grass Valley, Merced, Monrovia, San Bernardino, San Diego, San Francisco, San Jose and St. Helena.

It will be noticed that six of the above banks were located south of San Francisco. The one opened in this city was the California, which survived just two years. The one at St. Helena was the Carver National, previously a private bank.

Creating sixteen new banks of this character in two years was considered remarkable work and made a total of thirty-three in operation at the close of 1887.

These banks reported a paid-up capital of $6,925,000; reserve and surplus, $2,083,000; individual deposits, $22,883,300; loans and discounts, $19,788,000; stocks and bonds, $3,347,500; resources, $35,235,600. They had circulating notes of $1,654,000 and all in circulation except $29,400.

There was a net gain of five banks in 1888, two of which were the Fresno National and the First of Redlands. The names of the others are not recalled.

Three banks retired in 1888. These were the First of Alameda, which went under the State system; the First of Grass Valley, which was absorbed by the Citizens Bank; and

the California National of San Francisco, which suspended in December of that year.

Some of the banks organized in the latter part of 1888 were not reported until the following year, when their statements first appeared. The official report gave the names of seven new banks in operation in December, 1889, that were not in the list at the same time in the previous year.

These new banks were the National Bank of California and the National of Southern California, both in Los Angeles, the California National of San Diego, the San Bernardino National and the First of San Luis Obispo, Santa Monica and Santa Paula. Two of these opened in the last half of 1889.

In the following decade there was but little progress in the organization of these banks. In fact, they did not always hold their own, for while there were 38 in operation in 1888 and the same number in 1900, the number during the interval dropped to 31. This was the number in December, 1894, and the same number was reported in the fall of 1895 and 1896.

Occasionally a new bank was reported during the decade ending with 1900, but the retirements were more frequent.

The National Bank of Pomona came into existence in December, 1891; the Merchants National of San Diego in April, 1893; the San Francisco National in December, 1897; the Navada National in January, 1898; the Farmers National of Fresno in June, 1899; and the First National of Berkeley and the First National of Selma in June, 1900. The bank of Selma was the outcome of a State bank that was organized thirteen years previous.

From 31 banks in the fall of 1896, there was a net gain of only four in the following three years. This brought the total up to 35, where it remained until the close of April, 1900. Four new banks came into operation in the last eight months of that year.

This was the beginning of a new upward movement in the organization of these banks, which later on developed a degree of activity previously unknown.

There was a gain of five new banks in each of the following two years, bringing the number up to 49 in the fall of 1902.

In the next seven years the net gains were 12 for the first year, 14 for the second, 20 for each of the following two years, then 13, 15 and 16, respectively, for the last three years.

This brought the number up to 159 on the 1st of September, 1909, of which 10 were in San Francisco, 9 in Los Angeles and 140 in the other cities and towns of the State.

In the following seven months, ending March 29, 1910, there was a further gain of 17 banks.

One of the new banks added in that interval was the transfer of the business of the Bank of California, a State bank, to the national system.

The Bank of California was not only the oldest incorporated commercial bank of the State, but decidedly the largest in that class. The conversion of this bank to the national system was an event of considerable importance.

It has made the national system the controlling factor in the banking business of San Francisco. This control is not only likely to be permanent, but is also likely to develop increasing strength from year to year.

This is not all. The acquisition of this bank to the national system gives to San Francisco more than one-half of the total resources of all the national banks in the State. Here are the total resources of these California national banks as copied from the official abstract of March 29, 1910:

	Banks	Resources
San Francisco	11	$199,351,632.50
Los Angeles	9	66,986,779.25
Other sections in State	156	127,102,884.40
Total	176	$393,441,296.15

These resources show an average of $18,123,000 for the San Francisco banks, $7,443,000 for the Los Angeles banks

and $815,000 for all the banks in the system outside of the two reserve cities.

This is the first time that these reports have given to San Francisco this preponderance of financial power in the State.

It is presumed that these national bankers of San Francisco will not only use the influence of their financial position for the furtherance of the best material interests of the city, but will also in every legitimate way seek to develop and foster all the resources of the State and Coast.

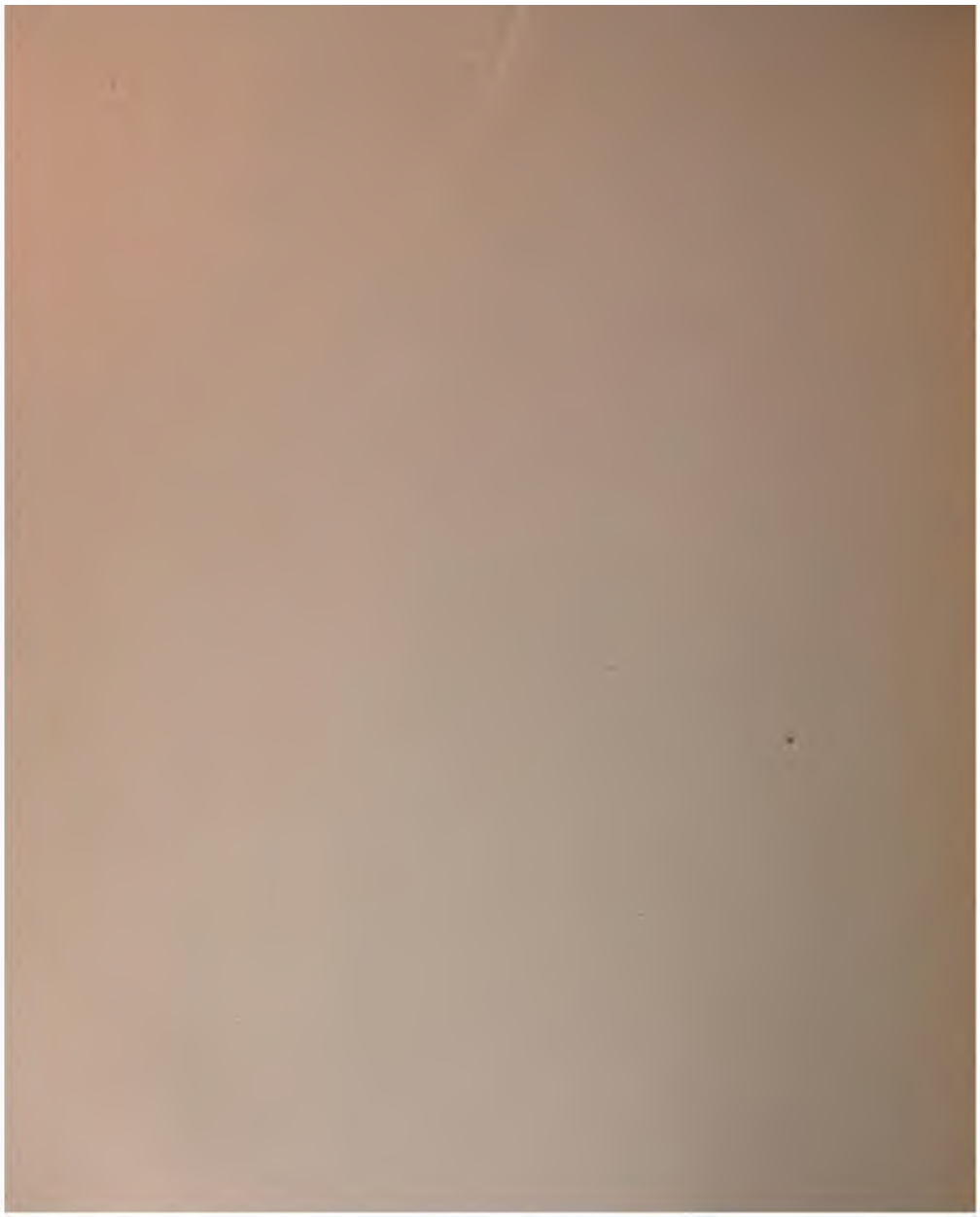
In no other way can they better protect and prosper their own individual interests. Men of ordinary common sense admit the correctness of this proposition, and when left to act on their own good judgment pursue that course with unfaltering fidelity.

National Banks in California.

(000's omitted)

JAN. 1 YEARS	NO. BANKS	CAPITAL SURPLUS	INVEST-MENTS	INDIVIDUAL DEPOSITS	ALL KINDS LOANS	TOTAL RESOURCES
1872	1	$ 1,041	$ 500	$ 199	$ 852	$ 1,517
1873	2	3,163	1,757	3,144	4,903	8,068
1874	5	3,491	2,542	3,193	4,443	9,591
1875	6	3,954	2,641	2,108	6,708	12,293
1876	9	5,314	2,800	2,172	5,655	11,648
1877	9	4,864	520	3,202	5,946	11,846
1878	9	4,726	1,818	2,985	5,254	9,482
1879	9	4,777	1,875	3,403	5,390	10,070
1880	8 10	3,989	1,836	2,870	4,568	8,721
1881	10	3,675	1,964	3,873	5,058	9,681
1882	11	4,058	1,970	6,165	6,476	12,794
1883	11	4,201	2,140	7,434	7,690	13,992
1884	15	4,606	2,165	8,124	8,175	14,782
1885	15	4,656	1,593	6,531	7,519	12,840
1886	17	5,179	1,963	8,291	9,095	15,425
1887	27	7,455	2,614	14,378	14,110	24,626
1888	34	8,321	2,566	21,959	20,254	34,526
1889	35	10,391	2,042	18,681	19,551	32,001
1890	37	11,480	2,809	16,794	19,730	31,532
1891	37	12,045	3,033	18,490	20,765	33,435
1892	35	11,560	2,872	18,566	21,014	34,133
1893	36	11,757	2,715	17,412	19,923	32,918
1894	35	11,455	2,012	13,588	16,583	28,705
1895	31	10,761	2,657	14,862	17,075	29,331
1896	31	10,914	3,400	16,034	18,390	30,880
1897	31	10,983	3,450	15,930	17,453	31,195
1898	34	14,143	4,258	24,980	23,437	48,135
1899	35	14,219	6,744	30,382	27,249	55,365
1900	35	14,311	7,312	34,465	29,413	61,998
1901	41	15,015	9,121	36,427	34,770	67,125
1902	46	15,901	11,699	45,302	41,754	80,683
1903	53	20,842	20,137	61,061	56,779	111,119
1904	68	26,498	26,625	70,995	66,547	132,437
1905	79	29,537	25,940	73,895	69,551	143,789
1906	104	39,906	32,305	106,993	104,486	209,267
1907	123	45,226	52,537,	143,723	141,142	276,091
1908	132	50,513	56,873	113,055	118,314	238,769
1909	145	57,410	59,714	134,719	130,715	274,093
1910	169	63,598	60,969	163,852	169,331	326,723
1910	176	82,265	71,252	171,445	202,490	393,441

Humboldt Savings Bank, San Francisco, 1869



Locations of National Banks.

Though San Francisco was the first place in California to give hospitality to national banks, and though eight of the first ten were located in the central and northern part of the State, by far the largest number in operation in 1910 were located in the cities and towns in the southern part of the State, and many of these south of Tehachapi.

An analysis of the locations of 154 of these banks in operation in the State about the middle of the year 1909 showed that 116 of them were doing business in communities south of San Francisco, and a good proportion of this number in the extreme southern counties.

This is equal to 75 per cent of the whole number. At that time Los Angeles County led all the other counties of the State by a large majority, reporting the existence of 45 of these banks, while the next largest total was 11, and this honor was equally divided between San Bernardino and Fresno Counties.

Yet up to 1880 these southern counties reported only two of these banks in operation. Los Angeles did not have a bank of this kind until 1880 and, then it made one out of a State bank that was started five years previously.

This rapid development of national banks in the lower part of the State is easily understood when all the facts are known.

For many years these southern counties have claimed much attention from people accustomed to handling paper money and with doing business with currency banks. This remark applies not only to the tourists from the Eastern States who spend a portion of the winter season in that section, but also to the large permanent population obtained from the same eastern sources.

Upon coming to the Coast, it is quite natural that these people fresh from the East should patronize the same class of

banks with which they did business on the other side of the country.

Bankers and those who desired to become bankers in the southern part of the State quickly grasped the situation and availed themselves of the first opportunity to provide the kind of banking that such a large proportion of the several communities seemed to want.

Favorable Amendments to System.

The national bank system has many admirable features, some of which it did not possess in the original draft of the act or in the first supplemental act.

The amendments added by Congress from time to time have been generally of a favorable character, growing out of the personal experiences of those conducting banks under the system.

The general thought in these amendments and alterations has been along the line of adaptation to new conditions and to the varied circumstances of different communities, and all for the single purpose of making the banks more popular, thus increasing their number and efficiency.

At first the amount of notes for circulation was limited to 90 per cent of the par of the Government bonds deposited. This was eventually raised par to par.

Despite the advantage of having notes to loan at current rates of interest to the face value of the bonds also drawing interest, and being allowed to invest the entire capital in bonds to attain that result, the banks have never availed themselves of their full privileges along this line.

According to the statement for March 29, 1910, these banks had a paid-up capital of $44,400,000, but only $34,506,000 in notes for circulation outstanding. Despite this large amount, paper money is not at all plentiful in this State.

For many years no national bank could be organized in any part of the country with a capital of less than $50,000.

Under the Act of March 14, 1900, the minimum amount of capital required to start one of these banks has been $25,000.

This has made a national bank possible in small communities where it was considered impossible before. Nothing that Congress has ever done for this system has been received with such acclaim.

Up to the close of March, 1910, the number of $25,000 banks organized under this act was 2470, representing a paid up capital of $61,750,000. These small banks have found the greatest favor in the Western, Middle Western and Pacific States.

California reports 72 of these $25,000 banks out of the 176 reporting at the close of March. These 72 banks have a paid up capital of $1,800,000 and are accommodating many small communities that really needed such facilities.

Conversion of State to National.

At least 50 of these banks have been conversions from the State bank system. Some of these converts have not always remained steadfast to their new-found faith, but have backslided into the former condition.

Some of the primary organizations under the national system have not always realized just what they wanted and these also have lowered the national for the State flag.

Though modified in many particulars since their inception, national banks do not entirely cover all the varied phases of banking. It is no doubt due to this fact that some of the primary organizations have gone under the State system in order to appeal to a wider range of business. It is probably for the same reason that some of the converted State banks have surrendered the charters for State charters.

These conditions are not peculiar to this State. They have been observable in all the other States, though more prominent in some than in others.

It is noticed, however, that these changes have been more frequent and numerous in the smaller-sized communities, where the lines of banking business are often as variable

as in the larger communities, but where the facilities for doing business are not as varied.

Congress has made many concessions in the interest of the national banks and there is no doubt that still others will be made if it can be shown that the changes desired will not impair their efficiency.

It is claimed by some that the supervision of national banks has been of a higher grade than that of some of the State banks. Of course State banks officials will not admit this claim to be well founded, nor is there any good reason why they should.

There have been instances under both State and national bank examiners where the work performed seemed to be of a superficial and perfunctory character. Even admitting this to have been the case in more instances than can be verified, these outside bank examiners do create a wholesome fear that serves in a measure to restrain unwise business methods.

Statement of All Banks in California.

(000's omitted)

JAN. 1 YEARS	NO. BANKS	CAPITAL SURPLUS	INVEST-MENTS	INDIVIDUAL DEPOSITS	ALL KINDS LOANS	TOTAL RESOURCES
1872	71	$ 41,593	$ 6,098	$ 72,064	$ 72,257	$114,717
1873	78	44,811	7,509	81,415	84,743	144,868
1874	84	46,783	8,525	88,666	90,150	151,791
1875	86	47,494	8,701	98,620	94,678	156,293
1876	100	54,520	10,589	122,007	135,068	194,108
1877	101	60,162	14,217	132,160	152,605	200,609
1878	93	50,957	8,260	103,113	111,372	161,419
1879	92	50,698	8,914	80,133	89,380	136,225
1880	86	39,825	10,759	82,148	75,076	128,296
1881	87	38,419	19,844	84,998	78,130	131,087
1882	87	39,374	20,798	92,557	81,474	140,882
1883	93	42,060	24,406	100,471	85,504	151,589
1884	103	46,438	22,950	105,397	99,559	160,735
1885	106	48,493	21,530	102,299	105,021	164,076
1886	114	51,016	18,327	100,564	112,154	166,160
1887	125	52,434	21,828	125,168	121,496	188,316
1888	184	66,619	27,299	155,335	154,815	235,919
1889	207	73,733	24,113	158,341	163,867	243,721
1890	224	79,818	23,690	165,445	180,674	257,925
1891	244	84,560	24,198	182,630	198,385	279,467
1892	255	87,805	25,721	196,599	213,906	298,133
1893	278	91,216	26,551	212,173	232,193	319,052
1894	277	90,366	20,325	190,965	211,413	294,565
1895	278	87,280	24,659	195,549	207,882	300,710
1896	284	87,574	34,588	202,099	205,380	307,558
1897	280	77,680	38,505	198,738	191,702	294,248
1898	286	74,600	48,775	220,055	189,019	316,047
1899	284	78,952	57,560	242,553	194,575	341,612
1900	280	75,212	77,897	275,077	199,715	378,013
1901	292	78,264	86,412	295,355	212,493	401,970
1902	303	82,143	96,454	335,378	236,676	452,231
1903	330	96,348	117,438	396,477	285,547	538,043
1904	380	112,664	132,249	421,899	319,649	588,749
1905	448	123,315	130,351	451,969	351,145	634,202
1906	530	131,517	141,249	540,301	427,208	758,819
1907	618	145,598	167,001	644,505	508,135	908,867
1908	632	157,568	162,511	550,460	476,381	825,564
1909	650	162,212	160,871	544,389	452,610	820,962
1909	643	162,243	162,364	565,270	467,623	845,236
1910	653	175,405	178,808	611,677	542,383	947,724
1910	676	185,164	180,226	651,087	562,400	969,936

Last three statements are for April 28, 1909, and March 29 and June 30, 1910.

This is probably the first time that such an extended and elaborate compilation of the banking business of California has ever been made. It would have been carried still further back if it had been possible to obtain anything like reliable and uniform data for the purpose; that was found to be entirely beyond the ken of the living.

Incorporated banks were unknown in the early years of pioneer history in this State. Private banking was then the rule, and as that served the purpose of the primary period, there was little desire to assume the responsibilities inherent to a corporate character.

Of course during those early years there was no official supervision of the banking business and very little publicity made of the banks as a group or as individual banks.

One of the savings banks of San Francisco has always claimed to have been the first incorporated bank of that character in the State and that was in 1857. As this claim is not known to have ever been disputed, there is no use in questioning it now.

The Pacific Bank of San Francisco made bold to frequently advertise itself as the first chartered commercial bank in the State, and the claim is supposed to be true. That was in 1863. As the president of that bank was the first Governor of California after the organization of the State, he is presumed to have known the exact fact in the matter, and the claim must be admitted.

There were quite a number of banks incorporated in the sixties, some of which are still in operation. The first savings banks to be incorporated outside of San Francisco took place in 1867, and these are still in existence, and they serve to furnish the best evidence of the stability of that system when properly administered.

In the preparation of the foregoing tabulated statement, the writer has not cared to consider any available statistics prior to the seventies, because of their incompleteness as to

details and for the want of definite knowledge as to the accuracy of those known to exist.

As to the national banks, the statistics go back to the establishment of that system in the State in 1871.

With reference to the incorporated savings the information goes back to the opening of the first bank of that character in 1857.

Since 1875 all classes of banks have been covered except the private banks, and there have also been included in the totals since the first official reports were made public in 1887. As far as possible the statements are for the 1st of January in each year or the nearest to that date.

Suspensions and Liquidations.

Incidentally and necessarily some mention has been made in this story thus far about the banks and bankers that have fallen out by the wayside. But the one-half of that story has never been told, and never can be, for those who could best tell it are no longer here.

Passing by, for the present at least, sporadic cases of failure, it will be well to consider some of the more important and far-reaching cases and of the causes leading up to the same.

In the early years the most notable of these were the embarrassments of the express companies in San Francisco which had been doing considerable banking business.

This trouble occurred in the spring of 1855 and was precipitated by the failure of Page, Bacon & Co. in February of that year. This was the most exciting event of that character in the history of the city up to that time.

Page, Bacon & Co. was the name of a St. Louis firm. This firm had contracted to build a railroad between St. Louis and Cincinnati, relying upon financial aid from New York to carry out the scheme. This having failed at a critical juncture, a member of the St. Louis firm who was interested in the business of Page, Bacon & Co. of San Francisco, appealed for money to tide over the difficulty.

Not realizing the seriousness of the trouble, the sum of $500,000 in gold was forwarded in good faith. The steamer due to arrive before this gold was placed aboard the outgoing steamer, failed to come in on schedule time.

But soon after the steamer carrying the gold coin had passed out, the delayed steamer with a special agent bearing unpleasant news came into the harbor.

The agent was dropped into a small boat that came alongside and hastily carried to the shore. This was on Saturday afternoon, after bank hours.

He immediately sought the manager of Page, Bacon & Co. and communicated to him the news of the failure of Page, Bacon & Co. of St. Louis

Then came the run on the office here, with all its attendant and disagreeable results, which included the suspension of two other big express and banking companies and almost endless litigation, as well as temporary suspensions of every private bank in the city.

Bank Failure Prevented by a Bluff.

A good story is told of one of the popular private bankers of San Francisco during these troublous times. He was a pioneer among the pioneer bankers, having established himself under the name of Burgoyne & Co. in June, 1849.

In those days gamblers were even more numerous than bankers, and they blazoned their business much more openly. Gambling was the chief business as well as the chief amusement of a considerable proportion of the motley crowd that had gathered at the embryo metropolis of the Pacific Coast.

It is said that Mr. Burgoyne was a favorite with many of these men who were engaged in another form of taking and giving out money.

There was a run upon the bank of Burgoyne & Co. as there was upon other private bankers. There was a sufficient number of idle people in the city to supply a good-sized crowd to look after every person who was compassed with a sea of trouble.

It was a very big crowd that filled the small quarters occupied by Burgoyne & Co. Some of these wanted the money due them and they wanted it bad, and the whole amount, and they wanted it right away.

There were probably others in the crowd who did not have a dollar in the embarrassed bank, but they were just there out of sympathy, you know, for the other fellow, and who were insistent that he, at least, should have a square deal. There never was a run on a bank that did not attract some of those disinterested and disgruntled persons, who belong to a class altogether too large that are delighted when trouble comes, provided they are not personally involved.

Well, Burgoyne & Co. had the trouble, all right. They also had more friends on the outside than on the inside of their little enclosure.

They were neighbors, too, and near-by. Word was sent to some of them, and soon one of them forced his way to the counter and threw down a bag of gold coins to be deposited. It was like oil on troubled waters. It had a restraining effect on the turbulent crowd.

Soon another man came in with a bag of gold which he wanted to deposit. A little later a third followed. The crowd thinned out, and the run had collapsed.

One bag of gold did the business, for as soon as received it was passed to a confederate at the back door and then brought in at the front door to be again deposited.

Big Failure and Heroic Recovery.

Bank troubles of a still more serious character in volume and duration were inaugurated in August, 1875, when, to the great surprise of the community as well as to the country at large, it was announced that the doors of the Bank of California had been closed about an hour earlier than usual.

The prominence of this institution, with a capital larger than that of any other bank on the coast, and with a numerous clientele of depositors and borrowers, gave a thrill to the

announcement of its suspension, the like of which had never been experienced before in this city.

An immense crowd was soon gathered about the building. The managers of the National Gold Bank and Trust Company on the opposite side of the street, upon receiving a hint of the impending trouble, tendered a good lot of coin to tide the bank over its trouble. But the offer was politely declined on the ground of its inefficiency to meet the threatened disaster.

After the doors had been closed, a meeting of intense interest was held in the directors' room. One of the founders of the bank, and its first president, was a prominent figure in that gathering, and no doubt led the heroic action for immediate rehabilitation then and there taken.

When the gentleman at that time serving as president was asked if the bank would reopen, he is reported to have replied, "Never." But a little man inside, with more force than elegance, declared that it would reopen, no matter what the personal financial sacrifice.

Though the failure of this bank involved a much larger loss than was at first thought possible, its early rehabilitation was the occasion of unusual and heartfelt rejoicing, amid the booming of cannon and the fluttering of flags.

The stockholders of the bank who promtly responded to repair the heavy losses which made rehabilitation possible, received the commendations of the State, and they well deserved the tribute. It placed the bank in a stronger position than ever. The popularity and prosperity which it has since enjoyed are no doubt the result of the heroic action taken when trouble had about reached the limit of human endurance.

It required four assessments of $1,000,000 each to place the bank again upon a sound basis, but the $4,000,000 of new money was furnished without a murmur. The amount actually contributed was much larger than that, but the additional sum was in the form of a reduction of capital.

Other Failures and Causes of Same.

Other failures immediately followed the suspension of the big bank. Perhaps the most notable of these were those of the Merchants' Exchange Bank, otherwise known as the bank of Alvinza Hayward, its founder and promoter, and the National Gold Bank and Trust Company. The history of the last named has been previously covered.

Depositors did not lose a dollar by either of these suspensions. There were some other bank failures in the city and country about the same time, but they were of a minor character and made little impression.

The causes contributing to these failures were general business depression, the agitations of the unemployed and the falling off in the bullion product of the Comstock lode. Either one of these was a menace to the banking business, while the combination accentuated the situation.

There had been considerable excitement in mining stocks incident to the large bullion yield of the California and Consolidated Virginia mines. The deposits in these mines showed signs of exhaustion and the values of these and other stocks had begun to waver and drop. Assessments were more frequent and more difficult to meet because of lessened resources through a partial failure in dividends.

In previous years there had been spurts in mining stocks because of rich ore discoveries, followed in each instance by a season of depression and losses. But this last one was the worst of all, on account of the greater magnitude and longer duration of the deal.

There never has been a duplication of that excitement in the Comstock mines though thirty-five years have since elapsed, and from present appearances there will never be another.

Previous to the discovery of the ore bodies in the California and Con Virginia mines, the Bank of California had been prominently associated in the development of the Comstock mines. It was not interested, however, in this last and big-

gest bonanza, which had been discovered and operated by a quartette of gentlemen who, in the summer of 1875, were forming a big bank as a rival to the Bank of California, and which opened for business simultaneously with the reopening of the Bank of California on October 2, 1875.

Savings Banks Go Down.

The bank troubles which started in August, 1875, left baleful influences in operation for the next four years. Perhaps one reason for the continuance of these difficulties was the introduction of an entirely new element in the nature of official bank examinations through an act of the Legislature creating a Board of Bank Commissioners.

These commissioners were appointed in the spring of 1878, and made their first examination in the fall. Up to that time there had been no official oversight of the banks.

Had the banks been in good condition, a visit from the Commissioners would have caused no uneasiness and certainly no alarm. But some of them were not prepared for a visit of that sort, despite the warnings which the suspended banks in the previous two years had given.

The Masonic Savings and Loan Bank was the first to be visited by the Commissioners. They soon discovered evidences of weakness which impaired the capital, and demanded that it be made good by the addition of new money. The demand was not heeded, and the Commissioners, acting under authority, closed the bank. It never reopened for business.

The second bank examined came through all right, but the third bank experienced the same fate as the first. This was the Farmers' and Merchants' Bank of Savings. This bank owed its depositors only $373,675, while the Masonic Bank owed its depositors $1,150,900.

The fourth bank visited was the French Savings and Loan Society, which had been in existence since 1862. It was found to be in a bad condition, and owed its depositors $5,503,100. The doors were at once closed, never to be reopened.

The Odd Fellows' Savings Bank was the next one to fail to pass a satisfactory examination. The bank suffered a severe run in the fall of 1878, and to tide over its troubles it was reorganized as a joint stock bank. This relief proved to be only temporary, and on February 5, 1879, it was voted to go into liquidation. Its indebtedness to depositors at that time was $2,117,100.

As is well known, all these banks were San Francisco organizations, which might have been in business today if they had been properly managed, but the instinct to make big returns for depositors proved too tempting.

Trouble Spreads—Liquidation.

Some half dozen of the interior savings banks, fearing the day of wrath would soon overtake them, sought surcease by voluntarily retiring from business.

Two of these were the Capital Savings Bank and the Odd Fellows Savings and Commercial Bank of Sacramento. A new bank was immediately formed to take over the assets of the former, and this bank is still in successful operation.

The San Jose Savings Bank of San Jose, the Napa Valley Savings and Loan Society of Napa and the Maryville Savings Bank also went into voluntary liquidation.

All these banks would probably have been able to pass a satisfactory examination, but the suspension of the four banks in San Francisco had brought discredit upon all banks of this character, and considerable sums of money had been withdrawn from several of these banks in all parts of the State.

It was this loss of confidence that no doubt led to the above action on the part of the banks named, and one or more others, the names of which are not remembered.

The Masonic Bank paid its depositors 90 per cent up to 1889, and then expected to pay 5 per cent more.

The Farmers' and Mechanics' Bank paid 70 per cent, the depositors losing 30 per cent, or $112,112. The stockholders

paid $60,000 for their experience in banking, and probably thought that the money was well expended.

The assets of the French Savings and Loan Society were taken over by a new organization and realized a dividend of 70 per cent for the depositors.

The Odd Fellows' Savings Bank paid 87½ per cent up to August, 1900. At that time it still owed depositors the sum of $264,640 and its stockholders $128,975, which sum was put up to save the bank, but it came too late to be of service. On August 15, 1900, the bank had $49,444 in money and real estate taken for debt valued at $35,884.

The Marysville Bank was a mutual organization and very prosperous from the start until the bank troubles of 1878. It paid off every depositor dollar for dollar, besides giving them their pro rata of the reserve fund which had been created after meeting expenses and dividends.

Country-wide Bank Panic of 1893.

The next general trouble among the banks in this State was one purely of sympathy, incident to the bank panic of 1893, which had its start in Chicago in the spring of that year, and which reached San Francisco about the end of June.

The failure of the Bank of Santa Clara County at Santa Clara in May, 1893, was the first recorded for that year. That failure was in no wise connected with the outbreak of trouble in Chicago, its embarrassment being the fruit of local causes. The assets were taken over by a new bank under the name of the Santa Clara Valley Bank, which is still doing business.

At least seven State banks were dropped in 1893, including two in San Francisco and five in the southern part of the State. The two in San Francisco were closely allied, one being the Pacific Bank and the other the People's Home Savings Bank, the latter being used as a feeder to the former.

Neither of these banks, at least in the latter part of their existence, had the entire confidence of the community, so their suspension was not a complete surprise. The former has paid its depositors 60 per cent and the latter 46 per cent.

The bank panic of 1893 was the most unique in at least one respect that ever occurred in this country, and that was in the very large proportion of the suspended banks having assets in excess of liabilities. This was certainly something quite remarkable.

Under normal conditions it would seem utterly ridiculous for a bank having assets in excess of liabilities to suspend. Conditions in 1893 were not normal, and yet they were just what had been predicted by men of sound business sense.

It was as plain as daylight that the Government's course in the compulsory coinage of silver would inevitably lead to financial trouble. The whole proceeding from its inauguration in 1878 had been entirely out of the ordinary, purely artificial and farcical to the last degree.

Talk about inflation of the currency! There was nothing like it before, there has been nothing like it since, and it is to be hoped there will be nothing like it in the future.

Congress did a very sensible thing in calling a halt upon these purchases of silver for that purpose in November, 1893, which, however, but poorly atones for the mistake it made in 1878.

Extent of 1893 Failures—Panic of 1907.

In a very elaborate summary of these suspensions in 1893, as printed in Bradstreet's of February 17, 1894, the record shows a total of 598 bank suspensions in the United States in that year, of which 193 had resumed up to that time. It is probable that most of the other 405 resumed afterwards.

The suspended banks reported their aggregate assets at $184,281,000 and their liabilities at $170,295,700.

These banks included 154 nationals. Of the State banks 184 were commercial, 50 savings, 196 private and 14 loan and trust.

The national banks made the best show of assets to liabilities, the difference showing a margin of $16,000,000. The savings banks had dollar for dollar and the incorporated and private commercials also a fair margin to the good. The lia-

bilities of the loan and trust companies, however, were 50 per cent in excess of assets.

The net gain effected in the number of national banks in the United States in 1893 was just three, the smallest net gain since 1878, when by a singular coincidence there was a net loss of three.

For the five years following 1893 the bank suspensions in the United States varied from 51 to 197, the largest number being in 1896 and the smallest in 1898.

Of the 51 in the last named year only 4 were nationals, while 28 were private banks.

In referring to the failure of the Union Savings Bank at San Jose in January, 1899, it was remarked that it was the first of the kind in three years. In 1901 only one bank failure was reported, the Citizens' Bank of Sonora.

It is doubtful if the same number of banks in any other State could show so few failures for similar periods.

The latest general troubles among the banks occurred in the fall of 1907, and one contributing cause was supposed to be the attempt to corner the copper product of the country with the view of enhancing the value. While that attempt resulted in a dismal failure, it resulted in several failures among the banks and a money scarcity that had not been known for many years.

As a matter of fact, there was more money in the country at the close of 1907 than at any previous time in its history. At the same time it appeared to be quite possible that the amount in actual circulation was less than it had been for years. Impaired confidence from overspeculation had put much good money out of commission.

Twenty Bank Failures in 1908.

California had an unusual experience as the result of the tight money market throughout the country. The best and strongest banks were as unable to pay out good money as the smallest and weakest.

The First National Bank, San Francisco, 1870.
First Federal Trust Company, 1907

For the twelve months ending October 1, 1908, the Bank Commissioners were obliged to close sixteen banks, exclusive of the four branch banks of one of the sixteen, thus really putting their seal of disapproval on the doors of twenty banks.

One of these and the most important of all in the matter of resources was the California Safe Deposit and Trust Company with its four branches in different parts of the city. This bank had not returned a dollar to depositors up to May, 1910, though always during the interval in the hands of a receiver. The bank was incorporated in 1882, and at the time of suspension had a capital of $2,625,000 with resources of $12,606,600 and was owing its depositors $9,072,741. First dividend of 10 per cent June 1, 1910.

Four other San Francisco banks were in the list, all small concerns, the removal of which entailed no serious loss.

All the other suspended banks in that year were outside of San Francisco, including three in Los Angeles, one at Long Beach, one at Ventura, one at Fresno and one respectively at Oakland, San Mateo, Calistoga and Sutter Creek.

In their inability to secure money to transact business, the banks in all the larger cities of the country had to resort to the use of clearing-house certificates for many weeks after the first outbreak of the trouble in the fall of 1907.

These certificates were issued against selected collateral deposited under the auspices of the clearing house. The certificates were readily received in lieu of money and after they had served their purpose they were promptly retired.

It is hoped that before another occasion of such money stringency occurs there may be provided a still better way of issuing emergency currency to keep things moving until there is a restoration of business confidence.

Features of California Savings Banks

The savings bank business in California has been characterized by some features which, while they may not be altogether unique, deserve special mention.

One of these is their joint stock character as distinguished

from the mutual system so common in other parts of the country, especially in New York and the New England States. So far as remembered, only five banks have been organized in this State under the mutual system, four of which retired years ago.

Another feature is the high average character of the deposit accounts. At the end of the first decade of the existence of these banks the deposits in the city banks showed an average of $716 and in the interior $516. Five years later it was $939 in the city, $472 in the interior and $814 for the whole State. On the 1st January, 1908, the 182,668 deposit accounts in the twelve savings banks in San Francisco showed an average of $805.

For many years after their organization nearly all the joint stock savings banks in the State recognized two classes of deposit accounts, ordinary and term. Under the normal conditions the former were always payable on demand, while the latter required a notice of six months for withdrawal and drew about one-fifth of one per cent more interest than ordinary deposits. Within a year the last of the city banks cut out term deposits and the interior banks have generally followed the example in this elimination process. Term certificates of deposit have been substituted.

The joint stock feature in savings banks appears to have worked well in this State. The paid-up capital in these banks varies from $25,000 to $1,500,000, and is a guarantee to the depositor under the personal liability law of the State. The banks are also required to create and maintain a reserve fund. The only mutual savings bank in the State has a reserve fund that is in excess of the combined capital and reserve fund of any other savings Bank in the commonwealth.

Loans Outside of City.

Thirty years ago the San Francisco savings banks had 23 per cent of all their mortgage loans on property outside of the city. This certainly was a liberal proportion, but that

was in the days of big grain crops in the State, and big grain crops at that time meant big money returns to the cultivators of the soil.

Thirteen years ago these mortgage loans were much more evenly divided between San Francisco and other sections on the Coast, though relative proportions then being 48 per cent outside against 52 per cent in San Francisco.

On July 1, 1892, the real estate loans of the San Francisco savings banks were apportioned as follows:

In San Francisco	$40,064,365
Interior of State	29,191,644
Total in California	$69,256,009
Total in Oregon	4,318,738
Total in Washington	3,237,812
Total in Arizona	43,750
Total in Utah	15,000
Grand total	$76,901,309

The German Savings was the first to respond to the demands of borrowers outside of California. The San Francisco Savings Union, Savings and Loan Society and Security Savings Bank followed the example. Within the last three years the last named three banks have greatly reduced their loans outside of the State, if they have not eliminated them entirely, leaving the German Savings practically alone in that field of operations.

In 1892 the State was divided into fifty-four counties, and the $69,256,000 in the foregoing exhibit was divided between forty-four counties. In three of the outside counties the amounts loaned were $3,743,500 in Alameda, $3,458,800 in Fresno and $3,334,700 in Los Angeles county. Tulare county was a borrower to the extent of $2,671,800 and there was upwards of one million loaned, respectively, in San Bernardino, San Luis Obispo, Santa Clara and Stanislaus counties.

The ten counties in which no loans by these banks had

been made up to that time were small and remote counties in the mountain districts, for the most part.

The German Savings was the first to enter Utah, placing its first loan there in 1892. Since then it has been loaning in Nevada, Idaho and the Territory of Hawaii. In 1908 it had loans in thirty-eight counties in the State, including two counties not in the list in 1892.

The rapid multiplication of savings banks in the interior of the State, as well as in the States contiguous to California, has made competition keen and the business outside of San Francisco has therefore been less desirable, resulting in a material reduction in these outside loans.

The interior savings banks have never cared to take revenge on San Francisco for entering their fields. An examination of the location of the loans of the interior savings banks in 1908 reveals less than $6,000 placed in San Francisco and this amount was divided between three of these banks. Since then other comparatively small loans have been placed in San Francisco mortgages by country banks.

An argument for specialized banking might be drawn from a comparison between the commercial and savings banks in the way of good and bad loans.

By bad loans is meant such loans as borrowers were unable to pay, and where the banks had to take over the property in lieu of the money loaned together with unpaid interest.

The illustration here given was drawn at random and with no idea that it is an exceptional one or not.

In July, 1899, the savings banks of California were carrying $8,758,215 as the value of real estate exclusive of bank premises. The presumption is that this real estate was taken for debt and that is the way it used to be stated in the reports of the Bank Commissioners. The city savings banks had $5,739,100 of this total and the country banks had $3,019,200.

On the same date the commercial banks were carrying for the same item $8,776,592, of which $2,373,445 belonged to the city banks and the remainder to the country banks.

In July, 1908, the savings banks held only $2,071,332 in this form of assets, a reduction of $6,686,883, while the commercial banks were carrying $3,635,935, a reduction of $5,140,657.

Bankers that have the smallest amount in property taken for debt consider themselves fortunate. It is no part of a bank's business to acquire property in that way. Some of the savings banks in the State, once heavily loaded with that kind of property, have recently practically cut it all out.

Dividends of City Savings Banks.

What savings banks have done for their respective communities will probably never be known. The managers are not likely to tell it, and there is no easily accessible official record to show the result.

In 1878 the writer made a compilation of what each savings bank then in existence in San Francisco had paid in the way of dividends to depositors from the day they opened for business to the end of 1877, in semi-annual payments. The totals in each case were as annexed:

Name.	Amount.
Savings and Loan Society	$ 9,629,176
Hibernia Savings and Loan	11,890,806
French Mutual and Provident	5,581,481
San Francisco Savings Union	5,185,647
Odd Fellows' Savings Bank	3,451,417
Farmers' and Mechanics' Savings	291,681
German Savings and Loan	3,085,309
Masonic Savings Bank	710,762
Humboldt Savings and Loan	418,071
Security Savings Bank	609,812
California Savings and Loan	127,317
Total	$40,981,479

The tabulated matter from which these totals are taken also gave the rates of interest for each semi-annual term, both on ordinary and term deposits as well as the amounts to the credit of depositors at the end of each semi-annual term.

The arrangement of the above dividends is in the order of

the seniority of the banks, the first named having been organized in 1857 and the last named in 1873.

Though the rates of interest since 1878 have been much lower than those previously in force, the longer period which has since elapsed and the greatly increased amounts bearing interest must have added considerably to the above total.

Four of the banks in the list paid their last dividends in 1878, having suspended at the close of that year.

The Savings and Loan, Hibernia and the Savings Union, organized in 1857, 1859 and 1862 have probably paid nearly as much more since 1877 as they did up to the close of that year, while the German, Humboldt and Security have paid much more, because of the longer period which has since elapsed compared with that covered in the above statement.

The California Savings and Loan Society retired from business in September, 1894.

San Francisco Clearing House Association.

One of the propositions relating to the banking business very often discussed in the early seventies was the need of a better system for cashing checks. Facilities for doing this work were known to exist and had been in operation for several years, notably in New York, where the first bankers' clearing house had been established in October, 1853.

This system had long before passed the experimental stage and had been fully tried and proved. The efficiency and economy of the plan had been demonstrated beyond the shadow of a doubt.

It was argued, and with a good show of reason, that if Eastern cities, where comparatively nothing but paper money was handled, found this a good and necessary way of settling the balances between the local banks, it was surely a desirable plan to adopt in California, where coin was almost exclusively the medium of such settlements.

Of course, all this was readily and universally conceded, but it was argued that the interests here were too varied and

too conflicting to expect any harmonious action on a proposition of this sort.

It is true there was some force to this reasoning. The bankers of San Francisco, as well as the business men of San Francisco, lacked a good deal in that unity of feeling and purpose so desirable in promoting enterprises and plans even when generally conceded to be for the public good.

At that time considerable banking business was still in the hands of private bankers. The incorporated part of the business was divided between State, foreign and national systems and each was trying to get the best of the other instead of working together for a common end.

It was feared that if the checks of all these banks were turned into one common center each bank would get some idea of what the other was doing and the names of their clients, and so be in a condition to divert business one from the other. In some of the banks this feeling of jealousy was very intense, and time and education alone could overcome it.

Original Members.

Serious trouble will sometimes bring a community of interests together when every other device has failed. This was the case with the establishment of this proposed agency. The general bank difficulties of the fall of 1875 brought the local bankers together, or at least most of them, on common ground for the common good and protection of all.

The San Francisco Clearing House Association was organized by the leading commercial banks and began operations in March, 1876. At first only 15 banks were represented in the organization. Five other banks became members in July, 1877, making twenty members at that time.

Other banks were admitted later on, but they only served to fill vacancies caused by withdrawals or mergers, so that at no time perhaps has there been over twenty members.

The original fifteen members were as follows: The Bank of California, The Bank of British Columbia, The Bank of British North America, The Bank of San Francisco, B. David-

son & Co., Ir. Belloc, Donohoe, Kelly & Co., The First National Gold Bank of San Francisco, Hickox & Spear, London and San Francisco Bank, Limited, The Merchants' Exchange Bank, Sather & Co., Swiss-American Bank, The Anglo-Californian Bank, Limited, and Wells Fargo & Co. Six of these were private banks, four were foreign incorporated banks, one national and four State banks.

The five banks admitted in July, 1877, were The Nevada Bank of San Francisco, Lazard Freres, Pacific Bank, The National Gold Bank and Trust Company and Tallant & Co. Two of these were private banks, subsequently incorporated.

In 1883 the bank of Crocker, Woolworth & Co. was admitted, followed in 1884 by Grangers Bank of California, and in 1889 by the American Bank and Trust Company.

Only one bank came in during the following decade, and that was the Bank of Sisson, Crocker & Co. in January, 1893.

The Mercantile Trust Company of San Francisco was added in 1899.

There were three additions in 1901, namely, The Canadian Bank of Commerce, The Western National Bank of San Francisco and Germania Trust Company.

Additional Members.

The International Banking Corporation joined in 1902, the Italian-American Bank and the National Bank of the Pacific at San Francisco in 1905, the City and County Bank in 1906, the Merchants' National Bank of San Francisco and the Bank of Italy in 1909, the Assistant Treasurer of the United States in 1910.

The Bank of Italy was given the number 35, which was the total number admitted in numerical order. The Assistant United States Treasurer has no number in the membership, but is simply known as A. T.

Of the nineteen members in May, 1910, only five remain under practically their original titles. These are The Bank of California National Association, The Bank of British North

America, The Donohoe-Kelly Banking Company, The First National Bank and the Anglo and London Paris National.

The San Francisco National is the outcome of the private bank of Sather & Co. of 1876.

The Wells-Fargo Nevada National is the result of the merger of the Wells Fargo & Co. of 1876 with the Nevada Bank of 1877, which in 1898 became the Nevada National.

The Anglo-Californian of 1876 went into the national system in 1909 and was then merged into the London Paris National.

The nineteen members in May, 1910, were as follows: The Bank of California National Association (since February 5), The Bank of British North America, The Donohoe-Kelly Banking Company, The First National, The San Francisco National, Wells Fargo Nevada National, The Anglo and London Paris National, The Crocker National, The American National, The Mercantile National (since March 5th), The Canadian Bank of Commerce, The Western National, The Central Trust Company, International Banking Corporation, Italian-American Bank, City and County Bank, The Merchants National, Bank of Italy and the Assistant Treasurer of the United States. The last named made his first clearing on January 18, 1910.

Between 1877 and 1909, there were seventeen withdrawals through failures, voluntary liquidation or merger. Ten of the number were from either one of the two first named causes. The other seven were through mergers. One of the original members went through two transformations, and was then itself transformed into another by the merger process.

Officers of Association.

The first president of the San Francisco Clearing House Association was Hon. Milton S. Latham, president of the London and San Francisco Bank, and once Governor of California and also a representative of the State in the United States Senate. Homer S. King was the first secretary, retain-

ing the office to July 1, 1876. Thomas S. Taylor was the first manager with W. F. Burke as assistant.

A. McKinlay, manager of the Bank of British North America, was elected president in 1877, and was re-elected annually thereafter until and including 1883. George C. Hickox was the secretary in 1877 and Mr. Taylor manager until August 31st.

Charles Sleeper succeeded Mr. Taylor on September 1, 1877, and has been re-elected annually ever since, with W. F. Burke as his assistant until 1885, and since than with J. T. Burke as assistant.

J. S. Hutchinson became the secretary in 1878, and was chosen annually thereafter until 1893.

Hon. F. F. Low, one of the managers of the Anglo-Californian Bank, once Governor of the State, Minister to China and also superintendent of the United States Mint in the city, was the president in 1884.

John McKee, of the Tallant & Co. Bank, became president in 1885, and retained the position until 1893.

Thomas Brown, cashier of the Bank of California, became president in 1894, and retained the office until 1902, with John D. McKee as secretary for the first of those years, Gustav Friederick for the next two and Frederick W. Ziele for the last two years.

Hon. William Alvord, former mayor of San Francisco and president of the Bank of California, served the association as president in 1893 and 1894, with Mr. Ziele as secretary.

In 1905, Homer S. King, who became president of the Bank of California upon the death of Mr. Alvord, was chosen president instead and retained the position until 1910. Mr. Ziele was secretary in 1905, Wellington Gregg, Jr., in 1906, 1907 and part of 1908, when he was succeeded by William H. High, who still holds that position.

James K. Lynch, vice-president of the First National, was elected president in 1910.

Annual Clearings.

Following is a statement of the annual clearings of the association since the opening day on March 11, 1876:

1876	$476,123,238	1893	$ 699,285,778
1877	519,948,804	1894	658,526,806
1878	715,329,320	1895	692,079,240
1879	553,953,956	1896	683,229,599
1880	486,725,954	1897	750,789,144
1881	598,696,832	1898	813,153,024
1882	629,114,120	1899	971,015,072
1883	617,921,854	1900	1,029,582,595
1884	556,857,691	1901	1,178,169,536
1885	562,344,738	1902	1,373,362,025
1886	642,221,391	1903	1,520,200,682
1887	829,181,930	1904	1,534,631,137
1888	836,735,954	1905	1,834,549,789
1889	843,386,151	1906	1,998,400,779
1890	851,066,173	1907	2,133,883,626
1891	892,426,713	1908	1,757,141,850
1892	815,368,724	1909	1,979,872,570

Causes for Variation.

While the annual clearings have more than quadrupled since 1877, there have been many interruptions to the general upward trend. These interruptions have arisen from various causes, some of them normal and some of them abnormal.

For example, the heavy clearings in 1878, were probably due to the climax in the mining excitement in the previous four years and to the big grain crop in that year as compared with previous years and those that followed. The heavy shrinkage in stock values immediately following were reflected in the clearings.

Other causes for those lean years were the sand lot agitation, the adoption of a new State constitution and the reduced prices for grain and other surplus products. The poorest of these years was 1880, when the clearings were only 68 per cent of 1878.

A gain of over $100,000,000 in clearings in the following year was due to a fair wheat crop and better prices.

There was but little change in the volume of clearings between 1881 and 1886.

From 1887 to 1892, both years inclusive, the clearings showed a new and much higher level with little variation.

In 1893, came the country-wide bank panic, and there was a general financial stringency, from which there was but little recovery for the next three years. The bank panic in 1893 was probably the most far reaching since 1836.

Whatever were the financial losses in that panic, there was some compensation in the fact that it settled the agitation that had been in progress for fifteen years for free silver coinage on the basis of 16 to 1.

If that measure had succeeded, the country would not have enjoyed the same degree of prosperity which it has since witnessed.

During the four lean years incident to that panic, the clearings were invariably below $700,000,000. The total for 1894 was 26½ per cent under those for 1892.

From 1894 up to and including 1907 there was a steady and a marked gain from year to year, the total for the interval amounting to over 200 per cent.

The steady expansion in these clearings from 1894 to 1907 would doubtless have continued if it had not been for the money panic which started in the East in October, 1907.

Labor Saving Effect.

The use of this agency has effected a wonderful savings in many ways, chiefly, of course, in the cost of labor. It would simply have been impossible to have made these settlements under the system in vogue in this city up to 1876.

The counting in and the counting out and the carrying about of the large sums of money represented in these cancelled checks and drafts and other forms of bank paper could not have been done without a greatly increased force and a greatly increased outlay of money for salaries and other expenses.

Even with this agency and the use of certificates, much coin has to be sent to the clearing house every day to settle the

balances between the banks. Sometimes these amounts of coin from a single bank are so large and heavy that they have to be expressed through the streets.

In the last calendar year over 59 per cent of the balances was settled in United States Treasury gold certificates.

The use of these certificates was resumed on August 19, 1899. From that date to the close of 1909, the balances amounted to $1,802,200,388, of which 30.33 per cent was settled in coin and 69.67 per cent in United States Treasury gold certificates and clearing house loan certificates.

It is claimed that these certificates saved a four-fold handling of an equal amount of gold coin, the four-fold weight of which would have been equal to 18,511,382 pounds avoirdupois, or 9,255 short tons.

The effect of the panic of 1907 is clearly brought out in the total clearings in the fourth quarter of that year which covers the first three months of that trouble. In that year the quarterly clearing fell off from $599,364,942 for the first quarter to $443,099,102 for the fourth quarter.

In the previous two years the clearings for the fourth quarter were larger than in either of the first three quarters for the same years.

Prior to 1900, the monthly clearings rarely exceeded $100,000,000. Since then it has been still more rare to find a month which did not show an excess of $100,000,000, and in at least a half dozen cases the monthly totals have been $200,000,000 and upwards.

Emergency Certificates.

The withdrawal of money from its accustomed channels in the fall of 1907 was so general throughout the country, that some other medium of exchange became imperative.

For the first time in the history of the association, resort was had to the issuance of clearing house certificates, secured by a deposit of selected collateral securities.

Nothing but the urgency of the occasion could have ever permitted such a procedure in the face of the following clause from the State constitution under Article XII, Section 5:

"No corporation, association or individual shall issue or put in circulation, as money, anything but the lawful money of the United States."

It was claimed that these certificates were not money any more than a warehouse certificate is money, and that there were court decisions supporting that view.

The course pursued seemed to be justified by the conditions that confronted everybody in all the walks of life.

It was a case of self-defense, and self-defense has always been justified.

At any rate the action was fully vindicated by the result attained. The stringency was overcome and financial losses were averted.

This was the sole motive for the course pursued, and it has been fully justified.

The association authorized about $13,000,000 of these certificates, but they were not all issued, nor were all those issued put in circulation.

As soon as the money stringency passed, the certificates were promptly redeemed, at least as far as presented. It is probable that some were lost, while some are known to have been retained as souvenirs of the panic and the angels that brought relief to suffering humanity.

In consequence of the local bank troubles of 1907, and with the view of raising the standard of the banking business in San Francisco, the association authorized the appointment of a specal examiner for the clearing house banks and for such other banks as clear through the member banks of the association. Mr. A. C. Kains was given this appointment.

It is generally conceded that this action was wise, and that the results will be ample compensation for the outlay. This private examination is supplemental to State supervision, and in no way a substitute for it.

Los Angeles Association.

Los Angeles was the second city in the State to adopt the Clearing House idea.

The Los Angeles Clearing House Association was organized September 17, 1887. The officers for the year 1910 are: W. H. Holliday, President; Stoddard Jess, Vice-President, and James B. Gist, Secretary and Manager.

In all nineteen banks have been admitted, but nine of these have been dropped, incident to mergers and other causes, leaving the following ten as active members: Farmers and Merchants National Bank, First National Bank, Merchants National Bank, National Bank of California, Central National Bank, Citizens National Bank, Broadway Bank & Trust Co., Commercial National Bank, United States National Bank and National Bank of Commerce.

The annual clearings for the year ending October 1st have been as follows:

Years	Clearing	Years	Clearing
1888	$36,050,981	1899	$ 86,341,617
1889	36,873,242	1900	113,766,378
1890	31,019,722	1901	145,170,809
1891	37,096,125	1902	225,917,730
1892	39,529,902	1903	288,527,583
1893	45,240,726	1904	332,715,240
1894	44,669,100	1905	449,953,040
1895	57,046,832	1906	549,648,224
1896	61,356,142	1907	623,170,919
1897	59,323,917	1908	481,851,178
1898	72,229,037	1909	630,620,133

However these agencies may be viewed in the smaller cities and towns, they are certainly indispensable in all the larger cities. Under no circumstances would either San Francisco or Los Angeles dispense with the privileges of these labor-saving agencies.

But this is not the only benefit derived from their presence and operation, when conscientiously conducted.

They undoubtedly have the effect of raising and maintaining a much safer standard of banking than would prevail if they were not in existence.

The Association not only exerts this salutary influence

over its own members, but it has a good influence over the non-member banks in the same community.

It was only a few months ago that the members of the Los Angeles Association endeavored to tone up some of the small banks in that city by refusing them admission to the Association with a mimimum capital of less than $200,000.

In some quarters this action was severely criticised, but the right to fix terms of membership in any organization cannot be questioned. Evidently the members of the Los Angeles Association did not care to assume any responsibility for these small banks, which in the large cities are not permitted under the national system.

Of course, a small bank can be conducted as safely as a large one, even in a populous city, but never as economically. It is because the small bank in a large city has to take greater risks, or at least often does, that it becomes a greater menace.

No bank can fail without some direct or indirect injury to other banks in the same community.

San Francisco has suffered much from the failure of small banks operated by incompetent people. This is not saying that all small banks are managed by incompetent people, nor is it saying that incompetent people do not sometimes have control, at least temporarily, of large banks. But incompetents do not so often get control of large banks, because the large banks are generally in the Clearing House Association.

Other Cities Adopt System.

In more recent years these agencies for the clearance of bank checks have been established in several other cities in the State.

For some years prior to 1906, some of the Oakland banks cleared to some extent through the San Francisco Association. In May, 1906, the Oakland bankers organized an Association with clearings as follows:

In 1906, eight months	$120,853,367
In 1907	140,416,039
In 1908	76,847,793
In 1909	96,527,088

Security Savings Bank, San Francisco, 1871

Anglo and London-Paris National Bank, San Francisco, 1873-1884-1909

The San Jose Clearing House was organized in the latter part of 1906, and its clearings for 1897 were $20,500,000, against $23,246,315 in 1908, and $25,592,841 in 1909.

Four other interior cities followed in 1907. At Sacramento the clearings for 1908 were $44,014,126, against $54,512,723 in 1909.

At Stockton, the clearings were $24,179.908 in 1908 and $29,195,022 in 1909. P. B. Fraser is president and James S. Abeel is secretary.

O. J. Woodward, of the First National, is president of the Fresno Association, and the clearings were $20,568,154 in 1908 and $29,108,946 in 1909.

The San Diego Association reports clearings of $37,565,853 in 1908 and $52,276,425 in 1909.

Pasadena organized an association on January 3. 1910. with C. J. Hall as president and H. S. Noe as secretary and manager. Clearings to April 30 were $15,146,950. The member banks are the First National, Pasadena National, Crown City National, Union National, American Bank and Trust Company, Bank of Commerce and San Gabriel Valley Bank.

The clearings of these Associations are published weekly and those of the San Francisco Association daily.

The information thus made public of what the banks are doing in different parts of the State is of interest to many people. not only locally but throughout the State and even beyond its boundaries.

The Los Angeles Association followed the example of San Francisco in the appointment of a special examiner for the banks under its supervision, and for this service Mr. John W. Wilson was selected. Mr. Wilson was formerly a National Bank Examiner.

In 1908 a State Clearing House Association was formed, with the idea of grouping the banks in districts outside of San Francisco and Los Angeles, and with the appointment of a special examiner for each district.

These examiners are to be experts in the banking business, and the results of their work will no doubt be beneficial. It is hoped that this plan will eventually be adopted.

Bank Legislation Demanded.

Prior to 1878. there was no official supervision of the State banks in California, either by the State, the county or any municipality. But the need for some legislation of that sort became more and more imperative as the years went by.

This feeling became quite general in the early seventies, and was frequently discussed by the press and among the people. It was at first confined almost exclusively to the savings banks, which. at that time were beginning to multiply and to come into operation in all of the more prominent communities.

The managers of the savings banks objected to being thus singled out. claiming that their depositors were well protected by the better class of security on which most of their loans were made.

Thus there were advocates for and objectors to the spy system, which was the term some people applied to the examination of banks by State officials.

Finally the question was carried up to the Legislature to be threshed out, and from all accounts the threshing was a pronounced success.

Dr. May introduced the bill. It provided for a bank official to examine and report upon the condition of the savings banks of the State at a salary of $5,000 per annum. There were, of course, many other provisions in the bill which are not essential to name.

It is sufficient to say that when the legislature got through with the bill, Dr. May did not recognize it as the one he had presented nor did any one else.

Instead of one examiner, at a salary of $5,000 per annum, the number was raised to three and the salary was fixed at $3,000 per annum for each, and instead of confining the busi-

ness of examinations to the savings banks, it was extended to cover all incorporated banks.

It was the legislature of 1877-78 that handled this work. The notable failures among commercial banks in the fall of 1875 were entirely responsible for incorporating this class under the provisions of the new law at that particular time. This, of course, was also the excuse for the appointment of three commissioners, instead of one, owing to the greater number of banks to be supervised.

Bank Commission Act.

This measure was signed by Governor Irwin on March 30, 1878, and it stipulated that the appointments should be made on or before May 15, 1878.

The law provided for three commissioners at a salary of $3,000 each per annum; also for $1,500 per annum for traveling expenses, $1,800 for a clerk, $900 for rent, and $200 for fuel, stationery and supplies, making the total outlay $13,400 to be paid by the banks by a pro rata assessment on their deposits.

The first commissioners were Evan J. Coleman, Robert Watt and James P. Murphy. No two commissioners could be selected from the same county, and so the first three in the order named were from the counties of San Francisco, Marin and Santa Clara. The first secretary was Rufus Shoemaker of Nevada county.

The commissioners were obliged to furnish bonds of $20,000 each, to keep their office open from 9 to 4 o'clock, and to give their whole time during those hours to the work.

The banks were required to make reports to the commissioners verified under oath on the first of January and the first of July, and in addition the commissioners were obliged to examine every bank under their jurisdiction at least once every year and as much oftener as they deemed necessary.

The commissioners began their office work on May 24th. As the system was entirely new, there were many preliminaries to be arranged, including the preparation of blanks,

books and other stationery, together with a list of the banks and the amounts of the tax that should be levied upon each for the support of the work.

These preliminaries having been completed, the commissioners were in condition to enter upon the duties for which they were appointed.

They had no special knowledge of the condition of any bank in the State, but deemed it best to make a beginning in San Francisco, the city by law specified as their place of business.

Just how they selected the bank in which to commence operations is not known, or at least is not remembered. It was probably done by lot, so as to avoid any charge of discrimination.

Whatever the course pursued to determine this matter, the Masonic Savings and Loan Bank was the first visited in their official capacity. This bank was neither the oldest nor the youngest bank in the city, it having been organized in November, 1869.

Unsound Banking Revealed.

The examination of the loans in this bank had not proceeded far before a class of paper was found that the commissioner deemed quite unsatisfactory and that to eliminate it would impair the capital of the bank.

This information was communicated to the officers, who were given the opportunity to make good the impairment. The officers did not take the same view of the discredited paper, and therefore, did not consider the capital impaired, and so refused to put up any new money for that purpose.

What these securities were to which the commissioners objected is probably not generally known, but is believed that they were called Navy Paymaster's vouchers or certificates, and that the money advanced upon them was received by Mr. Pinney, a clerk in the Paymaster's office. Later on this was shown to be forged paper.

Refusing to make good the impaired capital, there was but one thing for the commissioners to do, and they did that one thing by closing the doors of the bank on August 20, 1878.

The action was a surprise to the community, for the bank bore a good reputation and was supposed to have had some sort of an endorsement from a fraternal order of high standing.

The commissioners themselves were no doubt surprised and pained as well, and they were sharply criticised for their action, and unjustly. It would have been far more agreeable to them to have found all the securities satisfactory.

The next bank in the city to be visited was found to be in a solvent condition, and this was a relief to all.

The third bank examined was the Farmers and Mechanics Savings Bank. This bank did a mixed business and some of the collateral did not meet the approval of the commissioners and the managers refused to make good the alleged impairment of capital. The bank owed its depositors the sum of $373,675 and the capital was only $60,000. It was closed by the commissioners on September 3, 1878. In the case of the Masonic Bank the amount due depositors was $1,150,698.

The fourth bank visited proved to be in a worse condition than the first. This was the third bank of its class in the city, having been organized in 1860. It was called the French Mutual Provident Loan and Savings Society, and was without capital stock.

More Unsound Banking.

The bank had been prosperous from the start, and bore a good reputation. It owed its depositors $5,503,140, and was a regular dividend payer.

In common with the outside public, the commissioners entertained a good opinion of the bank until they began to examine the character of its securities. It was then that they discovered that the bank bore a better reputation than it deserved.

The manager of the bank was practically supreme, and when the commissioners informed him of the disclosures they had made, he was quite mortified, and his sudden death while the examination was still pending cast a gloom over the community. The bank was, of course, closed. A new organization was soon afterwards effected under the name of the French Savings and Loan Society with a capital stock. This bank undertook the liquidation of the assets of the failed bank, and did the work well.

Later on in the same year several of the city banks were passed as solvent by the commissioners until they reached the Odd Fellows' Savings Bank, organized under the mutual system in October, 1866. For twelve years the bank had been doing quite well, accumulating a large line of deposits and paying satisfactory interest on the same.

The commissioners soon found unsatisfactory collateral among its securities for loans. The closing up of three banks by these officials resulted in a run on the Odd Fellows. As an offset to this condition, the bank was re-organized with a capital stock on the 7th of August, of which about $129,000 was paid up.

All this had taken place before the commissioners entered the bank, and their discoveries stopped further payments on the capital stock, and on the 7th of February, 1879, it was voted to go into liquidation. At that time the bank still owed the depositors $2,117,121.

These troubles led to the voluntary retirement of the Franco-American Savings Bank in 1881, after an existence of four years. This bank paid all obligations in full.

Before the commissioners commenced the examination of banks in the interior of the State, several found it to their advantage to retire from business. This list of voluntary retirements included two in Sacramento, and one in Napa, and one in San Jose. Still another took the same course in Marysville in 1881.

Eight Banks Drop Out in Two Years.

There was a net loss of eight savings banks in the first two years of the operation of the new law and a net gain of two commercial banks. The elimination of these savings banks took out from active use about $24,000,000 in deposits and over $26,000,000 in resources. It also resulted in a reduction of over $6,000,000 in the resources of the commercial banks, though there was a gain of $4,000,000 in the deposits of the same.

Just what would have happened to the State banks in those two years if there had been no official examinations authorized or made, of course, cannot be definitely stated.

The examinations had disclosed unsound conditions, and such conditions cannot exist long without undermining the organization giving them hospitality. That much is certain.

The examinations not only eliminated these conditions from the suspended banks, but they undoubtedly eliminated them from other banks not so badly contaminated at that time. Furthermore, they must have acted as a deterrent against yielding to temptations leading in that direction.

Unpleasant as this work was to all concerned and especially to the commissioners, it was a good work and a necessary work. It saved a great deal more than it cost. It put the banks left in operation on a better basis than they were before the business was undertaken.

This remark is meant to apply to the banks as a whole and not to individual banks, many of which were in just as good condition before the investigation as afterwards.

Nor was the good work of the weeding out of the weak banks of immediate benefit to the remaining banks as a whole.

Such a wholesale elimination of banks in a State in that short interval necessarily weakened public confidence in the banking system. This happening at a time when demagogues in the public streets and squares were daily and nightly berating the banks as the oppressors of the working people, greatly intensified the situation.

It was only after the full effect of the storm had been experienced, and the shattered confidence of the public had been restored, that the real benefit of the cleaning out came to be realized in all parts of the State. From that time and for some years afterwards the banks had much less to annoy them and a greater degree of solid prosperity.

Private Banks Put Under Supervision.

Two years previous to the passage of the act creating the Board of Bank Commissioners, the legislature passed an act requiring the publication of semi-annual reports from all the banks in the State for January 1st and July 1st. The private banks paid but little attention to this law, many of them claiming that as they were not incorporated they were not under the control of the State.

In 1887, the legislature passed a law requiring private banks to make semi-annual reports to the commissioners on the same dates as the incorporated banks, to which they complied. The effect of this law was to induce several private banks to incorporate.

It was not until 1905 that the private banks were placed under the jurisdiction of the commissioners, who thereafter examined their condition as they had been doing in the case of incorporated banks.

The first general report from the private banks of the State under the law of 1887 was made on July 1st of that year, and a detailed report of the condition of each of the 29 banks forwarding their statements to the commissioners for that date was prepared and published by the writer in the following August. That was probably the first general and detailed statement of the private banks of California ever submitted to the public.

The law of 1905 placing these banks in the same category as the incorporated with respect to personal examinations by State officials led several others to assume a corporate character, thus further reducing the number since in operation.

The number of private banks in operation in the State since 1875 has varied from 15 to 34, while the average for the whole period has not been over 20.

From 1887 to 1889, both years inclusive, there was an average of 31 of these banks in existence, and their aggregate resources varied from $10,876,000 to $11,815,000 and their deposits from $5,253,000 to $6,477,000.

From resources of $8,749,000 and deposits of $4.401.000 in 1890, these totals were reduced in 1895 to $2,516,000 and $919,000 respectively. From 1894 to 1903, the resources were invariably under $3,000,000, while the deposits were invariably under $2,000,000.

In 1906, the 34 banks reported resources of $7,096,000 and deposits of $3,811,000.

The last report of private banks by the commissioners was April 28, 1909, when 15 banks reported resources of $4,553,000 and deposits of $2,868,000.

Since then all distinctions of commercial banks have been eliminated from the tabulated reports.

New Bank Commission Act.

In 1907 the minimum capital of commercial banks was fixed at $25,000, and this law was made retroactive so that private banks with less than that amount of paid-up capital had to make good or retire. Some of them took the latter course.

The Bank Commissioners faced some trying experiences in the bank panics of 1893 and 1907. In the former year about 30 banks in the State had to close their doors for one day or more, but nearly all subsequently resumed. In 1907 the commissioners were obliged to put 16 banks out of commission because of their inability to meet the demands made upon them. This was exclusive of the four branches of one of those banks and a single branch of another, thus increasing the number to 21, the largest number of suspensions for good cause ever reported.

In 1903, soon after inauguration of Governor Pardee, the act creating the Board of Bank Commissioners in 1878 with all the amendments thereto subsequently made was suspended, pending the adoption of a new act to cover practically the same ground as the one it was to supersede.

Up to that time the board had consisted of three members. One of the reasons the street assigned for this change was to put some new men in the place of those legislated out of office. The new board was to have four members, two for the first year to be appointed for two years and two for four years, and thereafter all commissions to be for four years. By this arrangement the board would always have two holdovers.

There was no change made in the salaries of the commissioners, though the additional member made the outlay for that purpose $3,600 more. The salary of the secretary was increased from $200 to $300 per month, and the board was to have his services in the examination of banks whenever they needed it. An increased allowance was made for transportation and other expenses.

The license fee for transacting business was raised to $40 in addition to the pro rata tax on deposits. A minimum amount of $25,000 was named for capital, which was to be graded up according to population.

During the interregnum of the suspension of the old act and the adoption of the new one, applications were filed with the Secretary of State for upwards of 60 banks, most of which were granted before the new act took effect.

Men Who Served as Commissioners.

Two members of the first board served out their four years. Mr. Murphy retired after the first year and was succeeded by William F. White, father of Senator White.

The second board named consisted of J. E. Farnum, Joseph M. Litchfield and J. L. Rathbone, but Mr. White claimed that his commission was for the full four years and not for the unexpired term of Mr. Murphy. Mr. Rathbone declined

to contest the claim, and before the third four-year term could be named, Mr. White had been appointed to succeed himself, which gave him a term of eight years in the service. The other two men named with him were W. W. Moreland and A. W. Potts.

Upon the expiration of Mr. White's term, James A. Thompson was appointed, but resigned before the expiration of his commission.

Three new men were then named for the new board. These were Albert Gerberding, W. H. Knight, and Charles H. Dunsmoor.

The next board consisted of Paris Kilburn, H. W. Magee and J. B. Fuller.

Then came John Markley, A. W. Barrett and Barnard Murphy.

Governor Gage appointed as commissioners, Guy Burham, J. B. Wright and Dan Kevane.

The board was then increased to four members, and Governor Pardee named the following: Guy Barham, William H. High, Herman Silver and Charles H. Dunsmoor. Mr. Wright, of the previous board, was tendered the appointment, but being in ill health declined the same.

Mr. High resigned in 1904 to accept the position as manager of the International Banking Corporation and Zoeth S. Eldredge was appointed to fill the vacancy. He also resigned, and J. C. Currier was appointed to complete the four-year term laid down by Mr. High.

Mr. Barham resigned in January, 1895, and N. Blackstock succeeded him.

Upon Governor Gillett's accession to office, the board consisted of Messrs. Blackstock, Currier, Silver and Dunsmoor. The term of Currier and Dunsmoor were to expire on June 29, 1907, and Silver and Blackstock two years later.

Cost of the Service.

Through expiration of terms and resignations it was Governor Gillett's privilege to appoint five to this office. These

were Henry Sherer, John C. Lynch, W. C. Watson, C. H. Garoutte and William F. Vawter. Mr. Watson succeeded Mr. Lynch and he with the other three were legislated out of office in 1909, when for the second time the Board of Bank Commissioners was abolished, retiring under the terms of the new order on June 30, 1909.

Since then an entirely new system has been in operation, which places the whole supervision of the banks under one man whose title is that of superintendent of banks, with authority to name all his assistants, and with authority to spend a sum for maintaining the service not exceeding $75,000 per annum, to be paid by the banks.

This is considerably in excess of the annual expense under the Board of Bank Commissioners even during the most extravagant year of its existence.

The expense for the first year under the commissioners was $13,400. Subsequently the amount authorized for fuel, etc., was increased to $500 and later on to $1,200, but otherwise, the annual budget was not changed until 1887.

In that year the salaries of the commissioners were increased from $3,000 to $3,600, traveling expenses from $1,500 to $3,000, salary of secretary from $150 to $200, rent from $900 to $1,200, making a total of $18,600.

In 1903, there was an addition of one commissioner, an increase of $1,200 in secretary's salary and other additional allowances, bringing up the total outlay to $29,200. Later there were further additions until the total reached nearly $37,000.

From first to last the cost of maintaining the Bank Commission was about $540,000, all of which sum was paid by a special tax on the banks served. All other commissions created by the legislature have been maintained by drafts on the general fund, and there is no reason that this commission should have been an exception.

Graded Capital by Population.

The first attempt at grading bank capital in this State was made by the legislature in 1905, under a provision incorporated in the banking laws approved March 20th of that year.

Under that provision the minimum amount of capital required to operate a bank was fixed at $25,000 in communities of 5,000 inhabitants or under; between 5,000 and 10,000, the amount required was $50,000; between 10,000 and 25,000, the amount was limited to $100,000, in localities over 25,000 inhabitants no bank could be organized with a capital less than $200,000.

A superior court judge in Sacramento county ruled this provision was unconstitutional, and it was repealed at the next session of the legislature in 1907.

In lieu of the repealed provision another was adopted grading capital on the volume of the deposits, but no bank was to be organized with a capital under $25,000. The new provision, which is still in force, exempt savings and loan corporations.

This provision requires that the capital shall be equal to at least 10 per cent of the deposits, until the amount of the deposits reach a total that would necessitate a paid-up capital of $1,000,000.

In construing this provision, net surplus may be counted as capital.

This means that a bank having $1,000,000 in deposits must have a paid-up capital, including net surplus, of at least $100,000.

Probably this last named plan of grading capital is quite as satisfactory as the former one, but the first named is just as legal as the last named, the opinion of the learned judge to the contrary notwithstanding.

Grading capital according to population has been a provision of the national bank law for many years, and its constitutionality has never been questioned.

If there are any State statutes that make such a provision unconstitutional in California they are not recalled. It appeared to be a good regulation, and having the endorsement of a national precedent, it is not clear why it should have been repealed.

Branch Banking.

Branch banking is not a new feature, except in this State, where it was first introduced to any considerable extent in 1906.

Its advent here was due to the great calamity of that year, which temporarily put out of commission nearly every bank in the city, both large and small.

This was not the worst feature of the situation. It drove the people and their places of business into the residence district of the city. Even after the big fire had exhausted itself, and the vaults were sufficiently cooled to be opened with safety, what was left of the bank buildings in the burned district were too remote from the stores to be conveniently reached.

There was, therefore, no alternative but to open branches of the main offices in the new and temporary business sections.

Several of the banks did this, some of them having even two branches and others three or four.

This condition prevailed in San Francisco for three years, but before the close of 1909 practically all of these branches were abolished and the business centered once more at the main office.

Outside of the city quite a number of banks have established branches in or near the vicinity of the main office, and this feature has been fully endorsed by those in authority.

The report under the new system of banking in this State for March 29, 1910, gave the number of banks in California under State supervision at 477, of which number 32 were classed as branches.

This is probably the largest number ever reported, un-

less an exception should be made for the conditions in San Francisco from 1906 to 1909.

Under British rule, branch banking is quite common and is supposed to be quite profitable. It extends banking facilities to communities that have not sufficient patronage to support a fully equipped and independent bank.

Branch banking and chain banking are nearly of the same order, and in the panic of 1893 in this country they were the source of much alarm and not a little trouble.

Bank Changes in Los Angeles.

It is an old adage that it is better to try and fail than never to try at all.

One is reminded of that in looking over the many bank changes that have taken place in Los Angeles since the business was first introduced in that city.

Activity is better than inactivity, even if many of the efforts fail to prove satisfactory.

Private banking served Los Angeles in the early sixties. In 1868, Hellman, Temple & Co. were acting in that capacity. Later Mr. Hellman retired to form a bank of his own, and then it was Temple & Workman. Mr. Hellman incorporated the Farmers and Merchants Bank in February, 1871.

The First National is the outgrowth of the Commercial Bank. Later it absorbed the Bank of America, previously known as the Los Angeles County Bank, and still later it absorbed the Los Angeles National and the Southwestern National. Subsequently the stockholders of the First National were the owners of the Los Angeles Trust Company and the Metropolitan Bank and Trust Company, which were afterwards fused into the Los Angeles Trust and Savings Bank under the same ownership.

The Merchants National's first name was the Southern California National.

The Citizens' Bank became the Citizens' National, and in 1909 absorbed the American National, previously known as

the California Bank, but after it was nationalized, it absorbed the Bank of Commerce.

The Central National is a consolidation of the Central Bank and the State Bank and Trust Company. That part of the business that could not go into the combine was put under the name of the Central Trust Company.

The Security Savings Bank has absorbed three other banks of like character previously known as the Los Angeles, Main Street and Southern California.

The German-American Savings is a consolidation of that bank with the Union Savings, the latter having previously absorbed the Columbia Savings.

The Home Savings first absorbed the Manhattan Savings and later the Bank of Los Angeles. The latter bank had previously absorbed the Miners and Merchants (formerly known as the Fraternal Savings and Commercial) and the Mechanics Bank.

The Park Bank is a consolidation of the Dollar Savings Bank and Trust Company and the Central Trust Company.

The Southern Trust Company was organized to take over the business of the Mercantile Savings Bank and Trust Company.

The Oil and Metals Bank and Trust Company is a consolidation of the Columbia Trust Company with the Union Exchange Bank.

The Merchants Bank and Trust Company is a consolidation of the Merchants Trust Company with the Western State Bank.

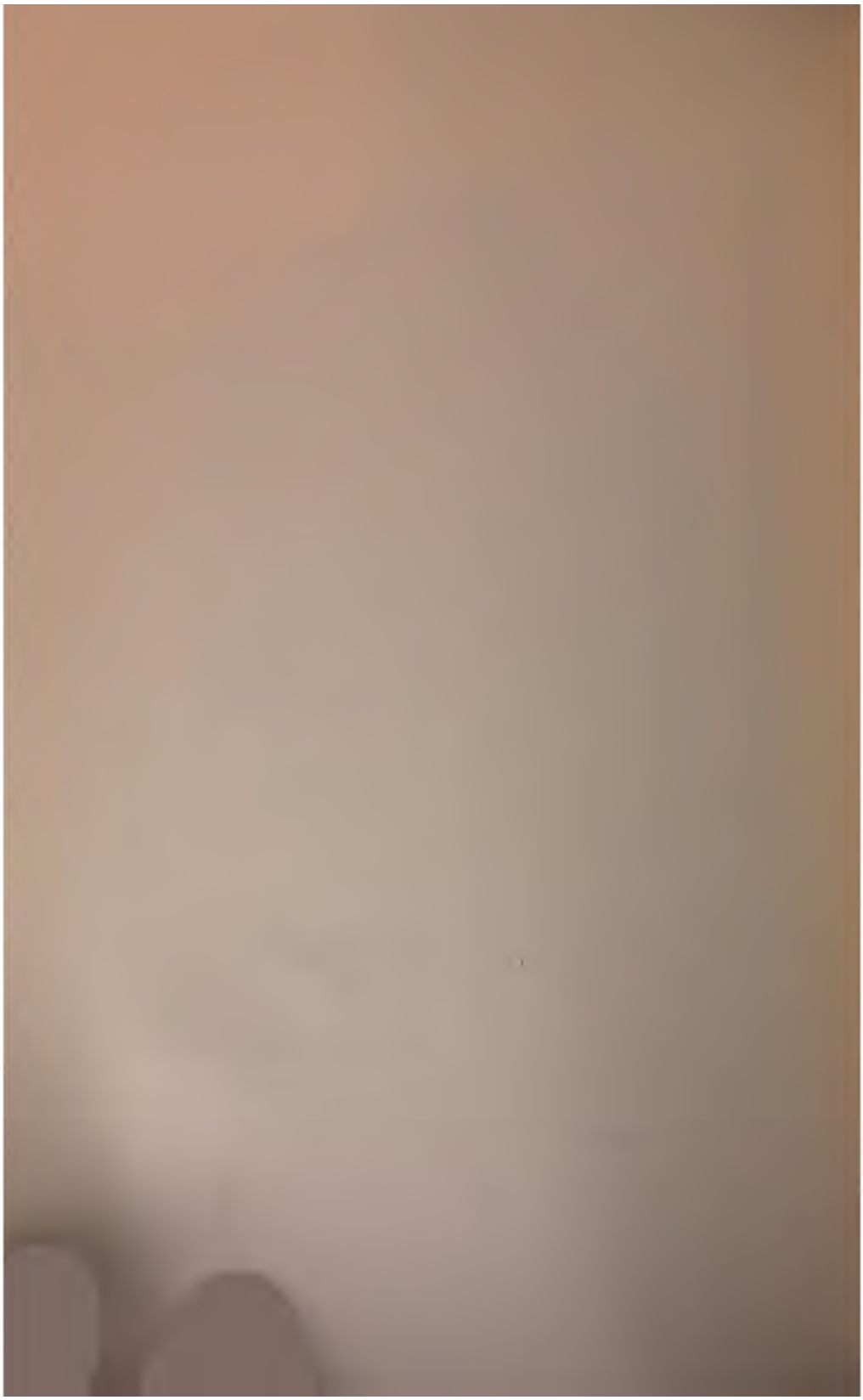
The above is probably not a complete list of the bank changes in Los Angeles, but is considered accurate as far as it goes.

Of the 31 banks in that city, 10 are members of the Clearing House, 17 are affiliated with members, while the other four have no connection whatever with the Association.

Los Angeles has an All Night and Day Bank, the only one in the State.

The First National Bank, Oakland, 1875
and
First Trust and Savings Bank, 1907

Wells Fargo Nevada National Bank, San Francisco, 1852-1875-1905



Bank Buildings.

It was said of one of the early banks that it shared an ordinary building on Kearny and Washington streets with a livery stable, and that it paid $1,500 per month for the privilege, and considered itself fortunate to get even that.

Another early banker, who occupied a one-story brick building, found himself quite popular through his brick and mortar environment, because of the assurance of protection to the money and valuables stored therein.

Still another early constructed brick building, erected for bank purposes, and at the time considered fire proof and burglar proof, was not proof against a lot of excited depositors who wanted their money and could not get it and who would have pulled every brick out of the structure if they had not been restrained. In fact the manager is said to have told the crowd that the deposits of the bank were in the bricks.

Later on one of the early savings banks was content to occupy a leasehold in a second story for a time, in lieu of getting anything more desirable.

The first incorporated savings bank, in 1857, began a long and successful career in very modest quarters under a lease. A little later it owned a building in which to transact its business. Still later it purchased the adjoining building, tore out the front wall of both, and substituted an iron front from the sidewalk to the roof, a distance of four stories, the first iron front on a scale of that magnitude in the city up to that time. The front of this building was always painted white, and was very attractive.

Still later, but also in the sixties, the first trust company took a lease in the basement of a four story building on the southeast corner of California and Leidesdorf streets, and started on a new line of banking. Five years later it was the owner of a four story and basement modern building on the

northeast corner of California and Sansome streets, and occupied the whole of the main floor with a large general banking business.

Banks Erect Their Own Buildings.

About 1866 two fine bank buildings were erected on California street, namely, on the northwest corner of California and Sansome streets, for the Bank of California, and one on the northwest corner of California and Liedesdorf streets for the London and San Francisco Bank, Limited. The former building was removed in 1905 to allow of the erection of a larger and more elegant one, to which the business of the bank was returned in September, 1908. This building is occupied entirely by the bank, and is unique in all its appointments. The other building was taken over by the Bank of California at the time it absorbed the business of the London and San Francisco Bank, and was subsequently sold to the San Francisco National and through the absorption of that bank again becomes the property of the Bank of California, now known as The Bank of California National Association.

Other city banks have since followed the above examples in the erection of buildings of their own, many of which have greatly exceeded the cost of those put up prior to 1870.

The four Italian banks all own the buildings they occupy, one of which is rated at about $500,000.

All the city savings banks own their places of business, and three of them estimate the value of the same at $1,000,000 and upwards, and the others at $150,000 to $700,000.

A much admired sky scraper building is that on the northwest corner of Post and Montgomery, jointly occupied and owned by the First National Bank and the First Federal Trust Company, and valued at $2,000,000. Directly opposite is the tall building of the Wells Fargo Nevada National Bank valued at over $2,000,000. The Union Trust Company, now occupying a portion of the same building, will soon remove to its elegant new building at Market and Grant avenue. The vacated space will give the Wells-Fargo Nevada National

Bank the additional room it has long needed for its growing business. The Savings Union Bank will get into its new building at the northwest corner of O'Farrell and Grant avenue before the end of the calendar year.

The German Savings and Loan Society began business in modest quarters on the south side of California, about one hundred feet west of Montgomery, but soon realized the need of better and larger facilities and so procured a site on the same street directly opposite, on which was erected a fine and substantial building, which it has since occupied, except for the interval required to repair and restore what was damaged or destroyed by the fire of April, 1906. During this interval the interior was much improved and rendered far more attractive than ever.

The bank owns its own premises which at one time were valued at $350,000, but which have since been written down from year to year, until now the same are carried at the nominal value of $1.

This is a novel feature, but so exceptionally good that a duplicate of it is not easily cited either on the part of a bank or any other corporation. Writing up the value of such an asset to make a flattering financial statement is more frequently done than writing it down in a gradual way until it finally disappears. A strong and prosperous bank can do that sort of thing.

Another peculiar feature in the administration of the affairs of the German Savings and Loan Society is the creation of a pension fund for its employees which now amounts to $100,000. That is a praiseworthy thing for any corporation to undertake.

In addition to its main office on California street, the German Savings and Loan Society established a branch at the Mission in 1906, which has been quite successful, and in 1909, a second branch was put in operation in the Richmond district. This has also met the expectations of the manage-

ment. A fine site has been secured for this branch, on which a substantial building will be erected.

Per Cent Resources in Bank Premises.

According to an analysis made at intervals of five years from June 30, 1878, to June 30, 1910, the amount invested in bank premises by the State banks, as compared with their aggregate resources, has varied from a fraction under 2 per cent. up to 4 per cent.

In 1878 there was invested in such premiums $3,025,654, which was 2 per cent of the resources, whereas in 1910, the value of such investments, including furniture, fixtures, and safe deposit vaults, was $22,656,600, or 4 per cent of the resources. Up to 1900, this item seldom exceeded 2 per cent, and was never over 2¼ per cent.

Apportioning the value of the bank premises in 1878 among the 84 banks incorporated in that report, it shows an average of $36,000 to each for a lot and the improvements thereon, but eliminating the banks in rented quarters, the average would, of course, have been much greater.

In the last report of the retired Bank Commissioners for July, 1908, the 506 banks reported their investments at $18,788,200, which shows an average of $37,000 to each, an increase of only $1,000 in the average over 1878.

In 1878, one bank in San Francisco reported the value of its premises at $250,000, which was probably the largest amount thus invested at that time, while in 1910 two banks in that city reported bank premises at $2,000,000 each.

In August, 1900, only 19 of the 53 savings banks, 103 of the 178 of the incorporated commercial banks and 12 of the private banks in the State owned the premises they occupied. The average value of these premises was $134,000 for the savings, $45,200 for the commercials and $9,000 for the private banks.

In the report for 1908, in San Francisco, 9 of the 12 savings and 13 of the 36 commercials, owned the premises occupied, the average values of which were $562,600 and $406,000

respectively. In Oakland these averages were $305,500 and $6,700; Los Angeles, $398,000 and $124,000, and for other sections of the State, $30,200 and $24,800. Of the 506 banks under State supervision at that time, 245 owned the building occupied.

National Bank Buildings.

The first bank under this system in the State opened in leased quarters, and that was the case with most of the first ten, though one of that ten owned a substantial structure.

In 1890 there were 37 of these banks in operation in the State with an average of $40,000 invested in bank premises and average resources of $840,000 Ten years later the bank premises averaged $30,000 for 38 banks and $1,600,000 for average resources.

In 1905, there were 87 national banks in the State, an increase of 130 per cent in five years. Value of bank premises in that year was $40,000 for each bank, while the resources averaged nearly $2,000,000 to each bank.

Between May, 1905, and April, 1910, there was a further increase of 100 per cent in the number of these banks, the total being 176, with bank premises averaging $54,000 and resources averaging $2,235,000.

It may be of interest to show how these averages are distributed. In the matter of bank premises the average for the San Francisco banks is $387,000; in Los Angeles $84,000; and in other parts of the State a little below $30,000. As to the aggregate resources, the San Francisco banks show an average of $18,123,000; the Los Angeles banks, $7,444,000, and the banks outside of these two cities, $800,000.

Much of the development indicated by these large totals is the result of operations effected in the nine months ending with the close of March, 1910. During that short interval there was a net gain of 25 banks, $95,000,000 in resources and $2,688,000 in the value of bank premises.

These gains are not so much the result of the establishment of primary associations, though many of this character

have come into operation. The heaviest part of the work is due to the conversion of some few State banks of large resources to the national system and to one or more prominent mergers.

It is a satisfaction to know that while these operations have in some respects been a direct loss to the State system and to some extent a direct gain to the national system, the State itself has not suffered in the least from the change. The resources and influence of the banks are even greater and probably more beneficial than before.

Bank Buildings for All Classes.

What the banks in California have accomplished in the way of acquiring title to the ground and improvements they occupy in the transaction of their business is indeed very gratifying. Very many of these banks are still in leased quarters, but it is hoped that a considerable number of these may ere long have buildings of their own, and thus set a good example to other business corporations.

Including furniture, fixtures, safe deposit vaults and other accessories, there was reported at the close of March, 1910, the sum of $32,195,000 for bank premises at practically an average of $50,000 apiece for all the banks in active operation in the State at that time.

Eliminating the corporations that do not own their buildings the average, of course, would be much higher, but not on the whole at all extravagant, considering the nature and importance of the business.

These bank buildings are of all sizes as to breadth and height, of varied styles of architecture and materials, and of many different values.

Scores upon scores of good, serviceable structures may be found that have been listed under a value of $10,000. Some of these may have cost more and may be worth more, but for justifiable reasons in the judgment of the owners they have been reported at or under that total.

There is also a very large number that are valued between $10,000 and $30,000, and a fair number above $30,000, but under $50,000. Between that figure and $100,000 the number is much smaller, while the number in excess of $100,000 is still smaller.

Very few reach $1,000,000 and upwards and only two are put down at $2,000,000.

Some of the more costly of these structures have been erected for income purposes, the banks using only a small portion of the floor space.

The number of fine buildings owned and used exclusively by the banks of California was never so large as at present, and the projectors of these improvements have been warmly complimented for their enterprise and good taste. Future builders will do well to follow their example as far as possible.

Fewer and Stronger Banks.

This statement suggests a query and that is what is the rightful equation between the number of banks in a community or in a State and the aggregate resources of such banks?

In other words, is it a good indication of healthful progress when the number of banks is increased in a greater ratio than the resources?

If the aggregate banking resources of a State amounts to an even $500,000,000, can that amount of resources be handled more efficiently and more economically by 400 banks than by 500 banks?

This is not an idle query nor is it a novel one. Judged by the bank mergers which have been taking place in various parts of the country in the past twenty years or more, it is evidently entitled to further consideration and particularly in this State where banks have come into existence at times so rapidly.

In the first report submitted by the late Board of Bank Commissioners in 1878, the savings banks in the State showed resources averaging nearly $3,000,000 to each bank, while

the incorporated commercial banks had an average of $1,280,000 and the two classes combined an average of $1,800,000.

Seven years later the average of the savings banks was a little over $3,000,000, that of the commercials $1,040,000 and the combined average $1,500,000.

Five years later the first named class fell below $3,000,000, the commercials dropped to $800,000 and both classes averaged $1,120,000.

At the end of the next five years the average of the savings was $2,700,000, that of the commercials (including 18 privates) $700,000, and all combined $1,120,000.

In August, 1900, the savings showed an average of $3,250,000, the commercials $750,000 and both classes $1,300,000.

Five years later there was an average of $2,500,000 for the savings, $800,000 for the commercials and $1,260,000 for all.

In July, 1908, the average of the savings dropped to $2,000,000, the commercials to $700,000 and the total $1,060,000.

The last statement of the Commissioners for April 28, 1909, gave the savings banks an average of $2,170,000, the commercials $740,000 and both classes $1,120,000.

The total average for all classes on March 29, 1910, was $1,225,000.

Two Bank Systems—State and National.

Opinions differ as to which banking system is the best—State or National. It is known that there is a difference between them. Both have good features. If the best in both could be incorporated and harmonized in either, the one uniform system would be preferable to the two systems.

No one wants a reproduction of the variety that obtained under the old State bank systems prior to the Civil War, yet in some of the States the bank laws were excellent.

But the good, bad and indifferent under that patchwork of banking went by the board in the introduction of the

national system of 1862 which eliminated State bank notes by the imposition of a ten per cent tax on such circulation.

The State bankers did not like the innovation which that change introduced. They not only did not like it, but they were very much provoked over it, and of course were quite unfriendly to the national system for some time afterwards.

Most of the active bankers of 1860 are no longer concerned as to what those engaged in the business of today think about that or any other system.

The two systems of State and National banking have been jogging along together for nearly fifty years. Neither has had any serious quarrel with the other. Some of the distinctive features of both have been modified and the sharp points of contrast smoothed by the daily experiences of business life.

This tendency to a closer union between the two has been noted for several years, but whether it will finally lead to a fusion of interests is still problematical, though not impossible.

It is believed that the national system and the different systems of State banking could be harmonized on a common basis, if the one distinctive feature of the issue of circulating notes could remain as now, under Government control, with what that necessarily carries with it, namely, Government supervision of the business of the individual associations that do the practical part of the banking business.

Primarily, the national banking system was organized to operate exclusively along commercial lines, thus excluding the savings and trust features. The managers of these banks have found ways of using these auxiliaries without, in their opinion, compromising any of their corporate rights.

National banks are not permitted to loan on real estate, or at least were not in the original act. Some of them in later years got around that prohibition by the control of State savings banks. Since then they have been permitted to issue term certificates of deposits on which they pay inter-

est, the same as some savings banks have been doing for years, and as trust companies are allowed.

National banks cannot establish branches, but State banks having branches can continue to operate them as State banks after the parent bank has been converted to a national bank.

All these and kindred differences are susceptible of amicable adjustment, if only there be a willingness to yield such minor points.

If the departmental system of State banking were engrafted upon the national system, there would soon be a considerable increase in the number of these associations.

If the Government had extended the same privilege to State banks forty or more years ago that it did to national banks in the matter of notes for circulation upon the same kind and value of security, there would not have been as many national banks as now, but there would have been more State banks.

In theory at least departmental banking is a solution of a vital problem in banking, because it introduces a feature of economy absolutely essential in small communities, where a single bank can do all the business of three banks.

Departmental banking may not be so essential in the larger cties and towns, but even in these localities it may and often is a great convenience.

But if departmental banking is to be the pronounced success so generally promised, the theory upon which it is based must be rigidly adhered to and bank examiners must give it their special care.

The temptation to collusion and to mix things up, where all the facilities for such connivances are so handy, will be strong and sometimes hard to resist, even on the part of men who really think they are morally upright, but that does not controvert one's opinion of the theory. Still, it must be remembered that all theories are not practical.

Best Protected System.

Whether there are better and therefore stronger safeguards against bank failures under the national system than under State systems cannot be stated with any definiteness without an appeal to data not easily obtainable.

In the absence of such information as to all the States or any number of the States, it may not be amiss to give a concrete example of one State, in order to see how the two systems have worked since 1878, when both were in operation, and when both were under the supervision of either State or Federal authority.

For this purpose California is selected, not because its State banking system is any better or any worse than that of any other State. Of course, Californians think their system an exceptionally good one. It certainly will compare favorably with that of many other States, if not with the best of them.

The report of the Comptroller of the Currency says that up to May 1, 1910, there had been 211 national banks organized in California, and that out of this number 7 had become insolvent and so went out of existence with some obligations unrequited, and that 24 others had gone into voluntary liquidation, leaving 180 in operation on that date.

This shows that the retirements from all causes were 14.70 per cent of the organizations, while the suspensions for cause were 3.31 per cent of the number put in operation.

The number of incorporated banks in California at the time State officials took up the work of supervision was 84. The number since incorporated is not definitely known. The largest number in operation under the State supervision was 507 in March, 1908. The number of retirements either from suspension or liquidation, since 1878, is not known, but it is perfectly safe to say that the percentage is much greater than it was under the national system.

Probably the worst twelvemonth in the whole period was in the year ending October 1, 1908, when the Commissioners

suspended sixteen banks and five branches connected with two of the sixteen. In 1878 there were four bank failures in San Francisco alone, while from 1875 to 1880 there were about a dozen.

Of the 7 national bank suspensions in California only one occurred in San Francisco, and that happened two years after it opened, and more through incompetency than from any other cause.

Of the 9,742 banks organized under the national system in the United States from 1862 to May 1, 1910, a fraction less than 27 per cent have retired from all causes combined, and not quite 5 per cent under insolvency.

It is not believed that the State banks of the whole country can show an equally good record for the same period. If any one doubts the statement it is up to him to prove that it is erroneous.

That the national bank system is a good one will not be seriously questioned, nor that it is the best one in general use that the country has ever had.

That there have been isolated cases of maladministration of the system is admitted, but that should not be charged up against the system.

Doubtless there have been incompetent examiners, not to use a harsher term. But despite this drawback and others of a minor character, the record is the best proof of the general efficiency of the system.

One good feature of the administration is in the investigation that takes place whenever an application to organize a national bank is filed. The Comptroller endeavors to find out something about the fitness and financial responsibility of the applicants and also the needs of the locality for a bank.

It is needless to say that some applicants are turned down for what the Comptroller considers good cause. This is a case where an ounce of prevention is worth more than a ton of cure.

State officials should exercise a corresponding amount of care so that between Federal and State authority incompetent or otherwise unfit persons should be forever debarred from engaging in the banking business.

Institute of Bank Clerks.

The American Bankers' Association did a good thing when it created the Institute of Bank Clerks.

California was prompt and generous in putting its seal of approbation upon this feature.

The San Francisco Institute of Bank Clerks was organized in 1900, and has been a popular and growing organization from the very start. The membership is large, the meetings are well attended and the programs varied and interesting.

It has been looked upon and quoted as holding a high rank among similar organizations throughout the country.

It has had the impetus of approval and hearty support from the senior officials in the banks, who have not hesitated to aid the movement in every possible way.

The late E. F. Beck, cashier of the Anglo and London Paris National Bank, was a warm supporter of the Institute, and helped in many ways.

James K. Lynch, vice-president of the First National Bank, and F. L. Lipman, cashier of the Wells Fargo Nevada National Bank, with others that might be named, have contributed in various ways to its success.

Apart from the literary and social character of the Institute, both of which have been of a high order, the more distinctive educational feature is to be greatly commended.

Any organization that helps its members to greater degrees of efficiency along the lines of their occupations, whether in the arts or in the professions, deserves to succeed.

Such education in the practical things of life is not only a direct benefit to the recipients from any and every point of view, but to the general public.

The world is always in need of well-trained people, and well-trained bankers are even more essential than in some

other departments of activity, because of the larger responsibilities and the heavier burdens they must assume.

The Institute has furnished officials for several banks, and they are making good records for themselves and for the organizations with which they are connected. It is a good service to claim the attention of banks needing men to fill important positions. The Institute ranks fifth in the country, and has 500 members.

Interest Rates in San Francisco.

In 1849 men were willing to pay 10 per cent per month for the use of money in San Francisco, and they did pay it, not only once or twice, but many times, for that rate was quite as common then, considering the population and the volume of business transacted, as 10 per cent per annum was several years afterwards.

Ten years later, even mortgage loans on real estate in San Francisco were 2 per cent per month in many cases, and occasionally 3 per cent, though such loans were sometimes made under 2 per cent.

It seems strange to borrowers of later years that notes to secure mortgages on real estate in California for a term of years should contain a clause fixing the rate of interest at so much per cent per month instead of per annum.

But that is the way things were done in this State during the first decade of its occupation by the gold hunters.

Some years ago the writer had occasion to ascertain just what rate borrowers on real estate security had to pay for money in San Francisco. For this purpose the mortgage records were consulted. It is doubtful if the big and dusty books then handled to secure this information are now in existence, as the sweeping fire of 1906 converted many of these books into ashes.

Fortunately the copious notes of mortgages made in San Francisco as early as 1858 have been preserved, and therefore the information as to the rates of interest for such loans are

official and reliable, with the names of both parties to the loan made and recorded.

At that early period there was but one incorporated savings bank in the State that made the loaning of money on mortgages its special business. Two years later a second bank had come into operation to share this business. Both of these were San Francisco banks and both were in existence in May, 1910.

One of the mortgages recorded in January, 1858, was from a private banker for a loan of $40,000 at 1¾ per cent per month. This loan was recorded in volume 37. Other loans recorded in the same year and in the same volume varied from 1¼ to 3 per cent per month. Most of these were for amounts varying from $1,000 to $4,000. Several of them were from 2 to 2½ per cent, including at least five from the Savings and Loan Society.

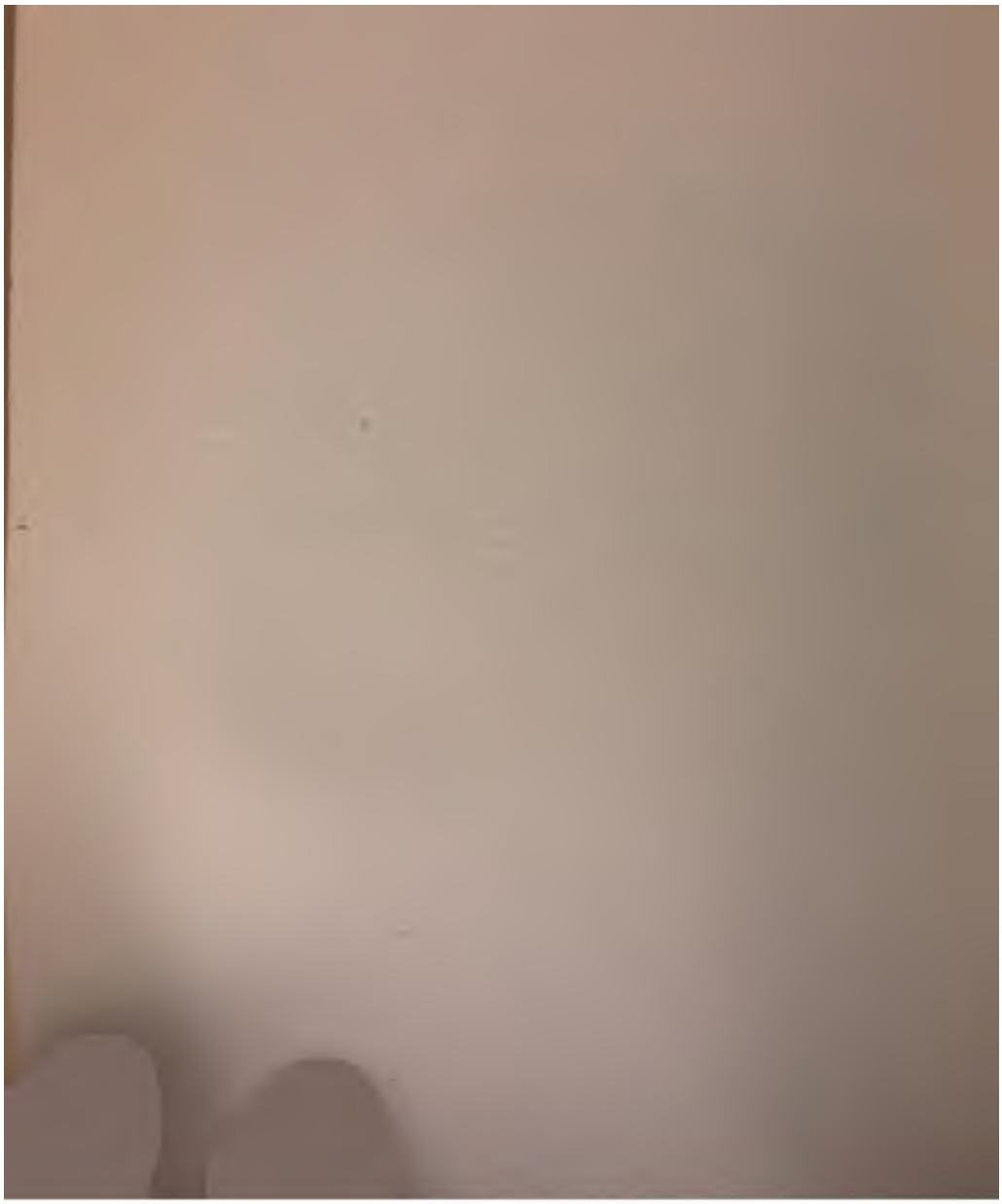
The same figures prevailed in 1859. There were several loans at 3 per cent per month during those two years, all between private parties. One of the lenders at this rate was a well-known financier of pioneer fame.

The Hibernia Savings and Loan Society began lending money in 1860 at 2 per cent per month, which appears to have been the maximum bank rate for that year and the three subsequent years.

A notably long rate loan was recorded in November, 1860, between a French capitalist and a leading real estate firm for $40,000 for a term of five years at 7 per cent per annum.

In 1864 loans at 2 per cent per month on real estate security in San Francisco were not common, though there were some. The rates most generally recorded were 1¼ to 1½ per cent per month. There were four savings banks loaning mony in the State in that year, and of course more or less competition.

At the end of another four years there were eight banks of that character in San Francisco and four outside of the city, including Oakland, San Jose, Stockton and Sacramento.



Crocker National Bank, San Francisco, 1886

At the close of 1890 the German Savings and Loan Society recorded a mortgage from the California Sugar Refinery Company for a loan of $250,000 at 7 per cent. In the same month the Hibernia Savings and Loan Society put out $100,000 at 7 per cent. Loans of $100,000 and upwards were not common prior to the present century, at least they were not so common as they since have been.

In the foregoing review of mortgage records in San Francisco, in many cases there was an omission of the rate. One of the large banks seldom named the rate obtained for its loans, and took deeds rather than mortgages as security.

As a rule the rates for commercial loans in San Francisco from the earliest period to the present have not varied much from mortgage loans for various reasons well understood by money lenders, but even in this class of loans there have been notable exceptions to the general rule.

U. S. Mint an Auxiliary of Banks.

There has always been a close and intimate relation between the United States Mint in San Francisco and the banks of the State. There was a mint before there were any incorporated banks, and there was private coinage of gold under authority before there was Government coinage.

The mint in San Francisco began operations in April, 1854, and the coinage output for the last eight months of that year was $4,084,207, an average of about $500,000 per month. It was the fifth mint established in the United States and was located in a small two-story brick building on the north line of Commercial street, a little west of Montgomery. The plant was in keeping with the size of the building, and both were entirely inadequate for the work they were required to care for and which they did try to meet by industrious methods until better facilities were furnished in a larger and well-constructed building on Fifth and Mission streets in 1875.

The work of the United States Mint in San Francisco has been exceptionally large and of exceptionally good character.

No mint in the world has ever been better located in reference to the proximity of its supplies, and no mint in the world has ever made a better annual record of the value of coinage output.

The best work's coinage was $105,829,019 in 1904, of which $103,168,500 was in gold, $2,660,519 in silver. The largest coinage under one superintendent was that reported by Frank A. Leach, who held the position for a longer period than any other similar official, a period of ten years and two months, when he resigned to accept the position of Director of the United States Mint.

During the incumbency of Mr. Leach the coinage amounted to $605,597,377, of which $572,409,500 was in gold and $32,187,877 in silver. There was also coined in the same interval the equivalent of 40,893,616 in silver pesos for the Philippine Islands and other countries.

The total coinage of this mint from April, 1854, to July 1, 1910, a period of 56 years, was as follows:

American gold coin.....	$1,606,052,407
American silver coin.....	183,633,372
American one cent coins.....	49,960
Total to July 1, 1910.....	$1,789,735,739

First pennies ever coined in San Francisco were $3,190 in November and December, 1908. In 1909 the amount was $26,180, and $29,370 for first half of 1910.

After a satisfactory settlement work was resumed early in July in the execution of an order for $300,000 in half dollars. Prior to filling this order the stock of subsidiary silver coin in the mint was unusually small, while the amount of gold coin on hand was about $12,000,000.

It is the intention hereafter to use machines for doing the work hitherto performed by women, of whom some thirty-five have been on the pay-roll.

Mint Officials.

The first superintendent of the mint in San Francisco was L. A. Birdsall, who assumed the office in June, 1853, and retired two years later.

R. Lott took charge in 1855 and was followed by Robert J. Stevens, the two continuing until 1857, when C. H. Hemstead took charge, holding the position for a full term of four years.

Robert A. Swain, a prominent merchant of the city, was superintendent from 1861 to 1869, or for two full terms.

Gen. O. H. La Grange took charge in August, 1869, retiring at the close of December, 1877.

Henry L. Dodge, a leading merchant, assumed the duties in 1878, and retired on June 30, 1882.

E. F. Burton folowed and remained at the head until July, 1885.

Then came a change in the administration at Washington, and Israel Lawton was given a four-year term from August 1, 1885, to the same date in 1889.

General W. H. Diamond of a well-known mercantile firm of the city, was in charge for the next four years.

In August, 1893, John Daggett, a mine owner in Siskiyou county, was given control for the next four years. This appointment was considered quite appropriate, as it was the first instance where a producer of the raw material became a manufacturer of the finished product in the shape of coin.

Frank A. Leach, a newspaper publisher and editor, became superintendent on August 1, 1897, and voluntarily gave up the position at the close of September, 1907, after ten years and two months of unusually acceptable service to those who selected him for the work as well as to the general public. He did much to improve the service and proved his efficiency under the most trying circumstances incident to the great public disaster in 1906.

Judge Edward F. Sweeney of Redding, Shasta County, took charge of the mint on October 1, 1907, and has so far

proved to be a faithful and efficient director of its affairs. During his incumbency, under orders from Washington, he removed about $300,000,000 in gold coin with perfect safety from the vaults to the Denver Mint.

The Big Fire and the Mint.

An event of thrilling interest and of country-wide importance, in connection with the United States Mint in San Francisco, hung in the balance for many hours during the great conflagration of April, 1906. The heavy earthquake in the early morning hour, by upsetting stoves and ranges and destroying connections with flues, was responsible for many fires along the water-front. The cutting off of the usual water supply through the breaking of the mains, placed all property in the city in jeopardy.

Though a long distance from the building, first attacked by the devouring flames, the trend was west, north and south, and the fire was soon face to face with the mint.

The heat was intense at Fifth and Mission streets, the mint building was in imminent danger, the loss involved in its possible destruction was of vast importance, not only to San Francisco, but to the whole country.

In no other one building on the coast, and perhaps in no other one building in the country, was there stored at that time so much real money, the vaults in the structure then containing $300,000,000 in gold coin and bullion.

Thus far up Mission street to the west and through Fifth street north and south, the flames found no obstacle they could not subdue. At this particular corner they met their first deflection.

It was a happy combination of circumstances that saved the mint building on that eventful day. The first was its fireproof character and its solid construction. The second was the distance of the facade from the street with the prevailing wind as a further protection. The third was the artesian well on the premises, every drop of water in which at that particular juncture was worth its weight in gold. The fourth

was the large, well handled and loyal force of employees and helpers who with a heroism deserving of much praise, fought the enemy with all the means at their disposal, and disconcerted it at every point of attack.

This was the combination that saved the valuable structure and its far more valuable contents. The money value of what was inside of that building was greater than the value of all the property destroyed by fire and earthquake in the city at that time.

Mint Vaults Opened to Banks.

The saving of the mint building meant much to San Francisco, to the State and the Coast. All the leading banks had been burned and the money in their vaults could not be reached for many days because of the heated debris with which they had been covered. There was very little money in the hands of the people. Those residents of the city considered to be the most wealthy had even less money in their pockets or within reach than the poorest of the poor. For several days all classes stood together in the bread lines of the streets and shared exactly alike in the common supplies. For once, if never before and never again, the rich and the poor met together and ate together in the open air and on the public streets.

The United States Mint never before had such an opportunity to serve a stricken people, and it is hoped there will never be another similar occasion for such service.

It was fortunate for poor San Francisco at that time to know that their surface conditions were not their real conditions. It was true they had no money in their possession and much of their real estate improvements of all descriptions as well as personal property had been turned to ashes.

They still had two assets left that an earthquake could not shake nor a fire destroy. They had met such disasters before and had conquered them. They could do it again, and they would.

With such two good assets as credit and confidence, they set their faces to the front with flint-like determination, trampling over the heated bricks, stone and twisted iron and through the ash-covered streets, removing debris and restoring order out of chaos.

The whole country looked with admiration on these undaunted toilers on the shores of the western sea, and deep down in their hearts the united verdict was—"Success to you, for you deserve it."

They did more: they sent material help of all kinds and in large quantities liberally and lovingly.

The Government responded quickly and nobly in all forms of relief. The local mint opened its doors to the banks, and opened its vaults as well for money supplies upon acceptable securities.

For many days, through a temporary union of the leading banks, the whole banking business of the city, interrupted by the fire, was transacted in the mint building so miraculously preserved.

For that splendid service, so courteously and generously extended, San Francisco has ever been thankful. It was opportune, essential and of incalculable value.

Sub-Treasury an Important Auxiliary.

Another important auxiliary of the California banks has been the Sub-Treasury. This agency has been of frequent and great service to all the banks not only of the State but of the entire Coast.

The fiscal business of the Federal Government has grown with the expansion of the material interests of the country.

After two experiments of conducting a Government bank, both of which proved unsuccessful, another system for transacting the financial business of the Government was proposed. This was in 1837. Enough votes were received in Congress in 1840 to adopt the plan that had been under discussion, but at the very next session the act was repealed.

The discussion was continued and resulted in 1846 in the adoption of the system which is essentially the one now in use.

The headquarters of this system centers, of course, in the United States Treasury in Washington. At present and for many years nine sub-treasuries of the main office have been serving the country, located as follows: New York, Philadelphia, Boston, Baltimore, New Orleans, Cincinnati, Chicago, St. Louis and San Francisco.

The Sub-Treasury in New York handles more money than is handled at the main office in Washington. The amount of the receipts in New York for the fiscal year of 1907-8 was $1,985,000,000 against $1,773,000,000 at the general office in Washington. Over 72 per cent of the total receipts for that year were handled in these two offices.

The Sub-Treasury at Chicago ranks second among these agencies, the receipts at that office for 1907-8 being $434,000,000. Philadelphia generally holds third position and Boston the fourth.

San Francisco and St. Louis divide honors for the fifth position, either one or the other of these cities leading.

The amount of gold coin receipts in the above fiscal year was $252,514,000 or just 5 per cent of all kinds of money represented in the grand total. The amount of gold coin received at the main office was not even one-tenth of one per cent.

New York received the largest amount, but this was not over 4 per cent of the total. It is only as one goes West that gold coin is more frequently seen. In the same year the receipts at the Sub-Treasury at Chicago were 10 per cent of the total at all the agencies. The receipts at San Francisco were nearly as large as in New York, and were 80 per cent of its total of all kinds of money and equal to one-third of all the gold coin received at all the Government offices in 1907-8.

Assistant United States Treasurers.

The Government was very prompt in supplying San Francisco's need of the Sub-Treasury service, having established the same here in 1853. Even at that early date it was found

to be a necessary and valuable adjunct to the public convenience as well as to the Government, and at no subsequent period has its presence been less desirable. In fact, it has become more essential as the years have gone by.

Jacob D. Synder was the first Assistant United States Treasurer appointed for San Francisco and he was in control from 1853 to 1860, both years inclusive. L. Hammond was cashier under Mr. Snyder from 1853 to 1856 and H. A. Palmer from 1857 to 1860.

D. W. Cheeseman succeeded Mr. Snyder and held the office until 1868. F. G. Bornemann became cashier on March 9, 1863, and remained in that position until August 21, 1885.

Charles N. Felton succeeded Mr. Cheeseman in 1869 and retired in 1872. He was followed by William Sherman from 1873 to 1880. N. W. Spaulding succeeded, retiring at the end of 1884.

In 1885 a Democratic administration came into power at Washington, and S. H. Brooks was appointed Assistant United States Treasurer. He retained Mr. Bornemann as cashier for a few months, then installed Charles G. Ames. This choice not proving satisfactory after a short service, Mr. Bornemann was recalled for temporary service, until John C. Maynard was given the position in 1886. He resigned in 1887, when Mr. Brooks tendered the position as cashier to Thomas P. Burns, who has so acceptably filled the same ever since that it is no wonder he still remains in charge.

John P. Jackson was Assistant United States Treasurer from 1890 to 1894, and C. P. Berry held the position for the next four years.

In 1898 Julius Jacobs was given the appointment, and was reappointed in 1902 and again in 1906, and served until his death in 1907. No other was honored with a second reappointment.

William C. Ralston became Assistant United States Treasurer in August 1, 1907, and is still in charge.

There have been ten Assistant United States Treasurers in the San Francisco office and six cashiers; one of the latter retained the position for 23 years. The other has exceeded that length of service, and he appears to be good for many more years.

Medium of Bank Exchange.

When the business of the Mint was removed from Commercial street to Mission and Fifth streets, the Sub-Treasury was given the vacated quarters on Commercial street, and still occupy the same. The building was destroyed in the fire of 1906 and the vaults covered with tons of bricks and mortar. The contents of the vaults were not injured, as was ascertained upon opening them some weeks later.

The vault room was increased from time to time as needed, especially after the resumption of silver dollar coinage in 1878. The vaults have contained from $30,000,000 and upwards right along for many years. The largest amount ever stored in the same was $87,000,000 in 1892.

It was in August of that year that a special train was secured and $20,000,000 of Government gold coin was transferred from San Francisco to New York or Washington under a special guard. It is believed that this was the largest single shipment of gold coin ever made on that long route of 3,000 miles, or for any other considerable distance.

The Sub-Treasury in San Francisco has performed many services for the banks in the matter of transferring gold coin from San Francisco to New York and from New York to San Francisco through the medium of telegraphic exchange.

In the fiscal year of 1904-5 gold deposits of a value of $31,083,000 were made in San Francisco and paid for in telegraphic exchange on New York and in the following fiscal year $17,489,000 of such deposits were treated in the same way.

In connection with the disaster of 1906 the Sub-Treasury performed valuable service to the banks and to the city in

the handling of relief funds and in the accommodations extended to the banks within a week after the fire.

About $40,000,000 was handled at that time and on that account. In the money panic of the fall of 1907, further notable service was performed by the Sub-Treasury. On all these occasions and in all these ways the San Francisco banks were not the only beneficiaries. Indirectly at least the whole State as well as the whole coast shared in the courtesies.

In January, 1910, the Sub-Treasury became a member of the San Francisco Clearing House Association, and made its first clearing on the 18th of that month. Though a member it assumes no responsibility in the work of the association. A fine site at Pine and Sansome has been secured for the Sub-Treasury on which a suitable building will be erected.

California Bankers Association.

This association was organized in March, 1891, at Los Angeles, with Thomas Brown as president and George E. Stewart as secretary. The first formal meeting was held at San Francisco in the following October, when the above gentlemen presided, and with an enrollment of 161 banks.

The next meeting was also held in San Francisco in September, 1892, with Isaias W. Hellman as president and 170 members.

On account of the bank panic of 1893, there was no meeting held.

At the third anniversary in San Francisco in February, 1894, Lovell White presided and R. M. Welch served as secretary. Mr. Welch is still secretary, having been elected annually ever since. A few years ago the association gave Mr. Welch a competent assistant in the person of F. W. Colburn, who still holds that position.

The next meeting was held at Fresno in October, 1895, when N. D. Rideout was elected president. There was no session held in 1896.

In 1897, the meeting was held at Los Angeles and in 1898 in San Francisco, with John J. Valentine as president.

There was no meeting in 1899, but for the next six years, the meetings were held annually. That for 1900 was at Sacramento, with C. Altschul as president.

The next two meetings were held at San Jose in 1901 and 1902, with J. M. Elliott and James K. Lynch as presidents. Mr. Lynch was also president at the meeting in San Francisco in 1903.

In 1904, the meeting was held at Los Angeles with A. H. R. Schmidt as president, and in 1905 at Oakland with I. F. Moulton as president.

The meeting for 1906 was cancelled because of the April disaster of fire and earthquake.

The last four annual gatherings of the association were held at Santa Barbara, Pasadena, Del Monte and Riverside, while the presidents chosen at these respective meetings were George W. Peltier, Joseph D. Bradford, H. S. Fletcher and William H. High.

For the last ten years there has been a steady increase in the membership until it now reaches 521.

J. J. Fagan has held the office of treasurer for several years, succeeding G. W. Kline.

Relation of Banks to Industries.

The relation of banks to industrial enterprises is a question of much interest and serious import, but it is not a new one. Banks have had to deal with it from time immemorial, and it will probably stay with them to the end.

Banks are trustees not only of the capital of their stockholders, but of the capital of their depositors to the extent that the same has been entrusted to their keeping.

A bank has no more right to jeopardise its capital than it has to jeopardise its deposits. Depositors regard bank capital, reserve and surplus as constituting a guarantee fund of deposit accounts.

If this capital is tied up by the bank in any industry, or any considerable proportion of it, the value of the guaranty

will depend on the success of the industry in which it has been invested.

Depositors know and expect that the banks will loan out a portion of their money, but they do not always know and probably would not approve of any investment by the bank of any portion of such deposits. There is a vast difference between loans and investments, as every one knows.

Bankers are not merchants, nor manufacturers, nor real estate operators, nor industrial agents, nor promoters of visionary schemes and speculative movements of any kind.

Of course there have been bankers who have taken up some of these side issues because of a natural tendency in that direction or because they were unable to resist the temptation of the promised quick and flattering returns.

Many of these bankers are no longer in the banking business, but are castaways along the shores of time. California has had some of that sort, and the memory of that fact on the part of innocent victims has been both painful and of long duration.

Such cases are not by any means peculiar to this State. They are to be found in every State that has been in existence for any number of years. California probably has as clean a record in that particular as any other.

There may be some of that class still in existence here as well as elsewhere. Recently there have been efforts made to improve the service of bank examinations. If these efforts prove as efficient as promised and as many have been led to believe, all kinds of crooked banking will be more difficult to follow than heretofore.

Of course banks are expected to favor and promote, as far as it is within their power and scope of organization, all kinds of legitimate business enterprises. They have been formed for that purpose, and the people have a right to look to them and to depend upon them for just that kind of service.

But the responsibility for the success of these business projects must rest upon those engaged in the respective pursuits, and not upon the banks. These have their own re-

sponsibilities, and they are of an altogether different character.

There have been cases where two or more men desirous of promoting some business scheme far beyond their financial ability to compass, have organized a bank so as to obtain an increased amount of capital at little cost to carry out their plan.

Banks organized along such lines and from no higher motives are not what the people want, nor the kind the people should patronize; and if the facts can be proven as outlined, they should not be allowed a charter.

Banks that lend themselves to the promotion of purely speculative schemes, such as the cornering of food or other necessary supplies, are operating entirely outside the pale of good and sound banking business.

Of course no bank will admit that it is or ever has been or ever will be found in that category. It is not considered good form, and no banker worthy of the name will openly and purposely pursue such a course, or any course that he knows will mar his reputation or the reputation of his bank.

Bankers are no doubt blamed for a great many things of which they are entirely innocent, and sometimes praised and honored for other things they do not deserve.

In the matter of making loans much wisdom is required, even when the applicant has the confidence of the lender and the security offered is first class. How far can a banker go when two factors of that kind are behind the application?

Is the lender justified in compelling an applicant for a loan to disclose just what disposition he proposes to make of the funds? Should he not be content with satisfactory assurance that the obligation of interest and repayment will be promptly met in accordance with the conditions agreed upon?

In reply to this question, disinterested parties will answer in the affirmative.

Public Money in Banks.

Withdrawals of money from the accustomed channels of circulation are to be deprecated from whatever cause they may arise. The free movement of money is desirable from every point of view.

Until quite recently, the money collected in payment of taxes was withheld from circulation until disbursed for salaries and supplies in regular order throughout the year.

Some years ago, in order to minimize this evil, taxes were made payable in semi-annual installments, the first in November and the second in the following April, with the option of paying the whole amount in November.

This arrangement afforded some relief, as before the second withdrawal occurred, some of the money received from the first installment had come into circulation again.

Later on it was determined to adopt still more modern ways of dealing with this matter, by following the example of other and larger states.

In 1905, the legislature passed an act permitting the State to deposit money in the banks against acceptable security at a minimum rate of 2 per cent per annum. Constitutional objections having been raised, an amendment to overcome the same was voted at the November election in 1906. This was ratified in 1907, when additional legislation was enacted to put it in force and at the same time to enlarge the sphere so as to make it apply to all collectors of public money.

San Francisco had something in its charter that seemed to stand in the way of a free application of the new law, and this was subsequently removed by amendment.

Upon the removal of these legal technicalities, and upon application from the banks for the use of public money, considerable amounts of money from the State and county vaults were released to the banks upon deposits of the required securities.

The law is not mandatory. It simply permits state, county and municipal treasurers to honor applications of this sort

whenever in their judgment the money on hand is in excess of current needs and the securities offered are acceptable.

Thus far the new law has worked well. The money market has been relieved of the former annual or semi-annual stringency, and the state, county and municipal governments have received considerable income from the use of their idle money.

Banks in the State desiring the use of such public money, and that are willing to pay 2 per cent per annum interest for such use may secure the same by making an application setting forth the amount of paid-up capital, exclusive of reserve and surplus, and the sum of the deposit needed (which must not exceed 25 per cent of the paid-up capital), with a description of the bonds offered and a certified copy of the authority for the proceeding.

These deposits are subject to call as a whole or in part, but the banks are given fair warning of the call.

The amount of money formerly locked up in these public vaults has gone into the millions.

The cash balances in the State Treasury on the 1st and 15th of the month in 1907 varied from $6,899,000 in January to $4,233,000 in December, the average for the whole year being nearly $6,000,000.

The State Treasurer thinks the plan can be still further improved by the introduction of the check system against these deposits. This would obviate the requirement of keeping any considerable amount of money on hand for current needs.

It would also save the unnecessary handling of large sums of money, and the further large expense now involved in the transportation of the same to and fro. It would permit payments to be made direct to the parties to whom the sums are due for salaries or supplies.

Every county treasurer charged with the collection of State taxes must now make at least two journeys to Sacramento annually with the money due the State Treasurer, thus removing it temporarily from the locality where collected.

The State Treasurer sees no reason why the State taxes collected in San Francisco, Los Angeles, Fresno, Oakland, San Jose and other places might not be deposited in the banks in these cities subject to his order.

The suggestion appears to be a good one, and legislation will be sought to make it effective.

State funds alone in banks in the last fiscal year netted over $250,000 in interest to the State Treasury.

Big Gains in California National Banks.

National banks have multiplied rapidly in California in the last few years. In the first nine years of the present century there has been a gain of 300 per cent in these associations in the State.

There is hardly another State that can show such a gain or any approximation to it for the same interval. The system has been in operation here for nearly forty years, but the yearly increase was quite moderate during the first thirty years.

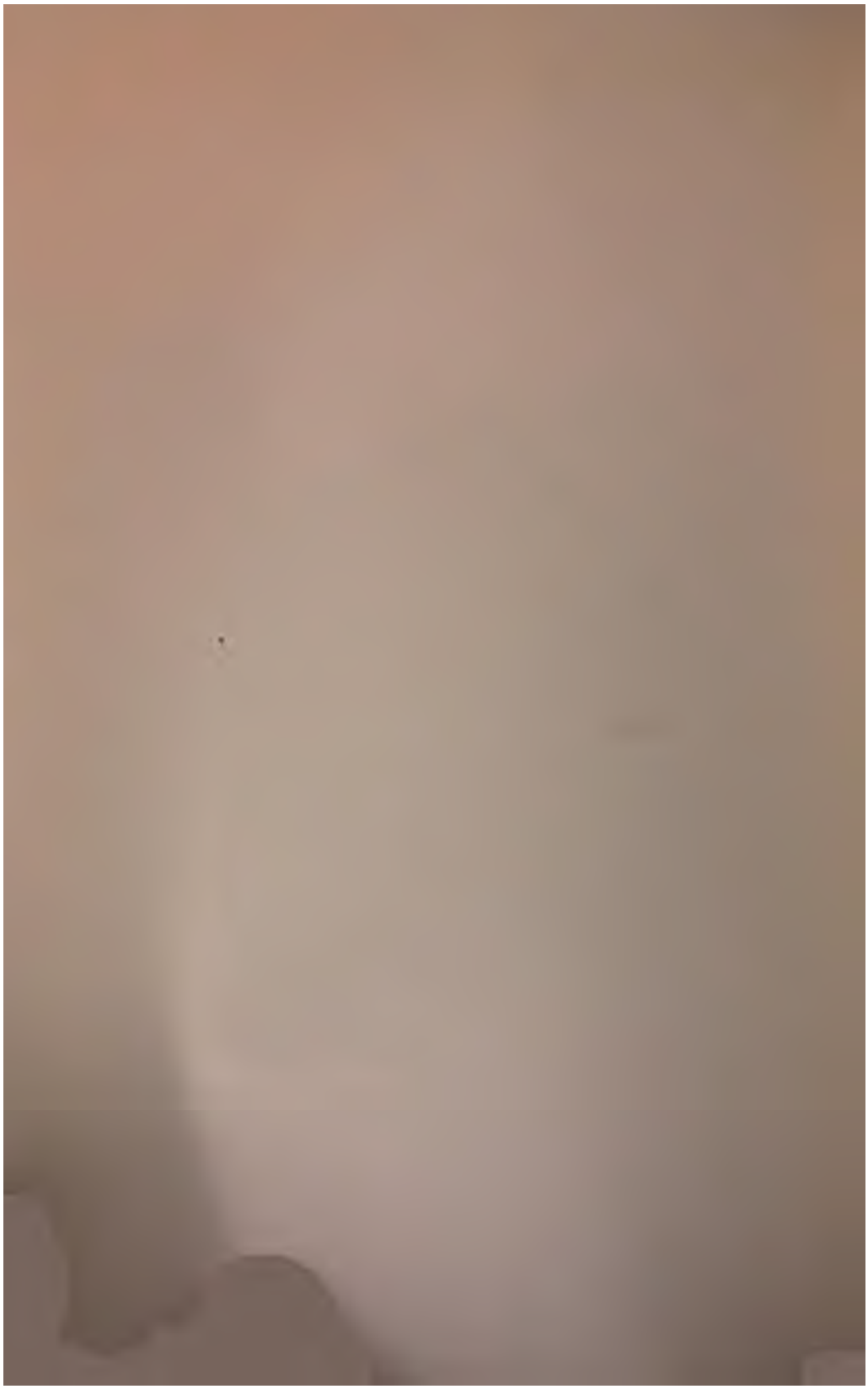
The gain in Oregon from 1900 to 1909 was about 170 per cent; in Washington 140 per cent; in Utah 100 per cent.

There was a national bank in Nevada five years before there was one in California, but it went out three years later, and it was in 1880 before there was another. There was never at any time more than two in operation there until 1905, when four were reported, while in 1909 there were twelve. The large increase in those four years was due to the discovery of new deposits of ore.

Idaho had a national bank four years before California, but it got along with that one bank for fifteen years. In the first nine years of the present century the number was increased from 9 to 45, a gain of 400 per cent.

On the 1st September, 1909, the San Francisco National banks reported their loans and discounts at $67,717,000, of which 42 per cent was on demand paper with one or more individual or firm names and 35 per cent on demand secured

Security Savings Bank, Los Angeles, 1889



The Mercantile Trust Company of San Francisco, 1899
The Mercantile National Bank, 1910

by stocks, bonds and other personal securities. On the same date the Los Angeles banks had $33,713,000 in loans and discounts, of which 48 per cent was in the first class and 23 per cent in the second class. On the same date the national banks in California outside of those two cities had $57,331,000 in loans and discounts, of which over 50 per cent was in the first class and nearly 22 per cent in the second class.

San Francisco has about reached a point in the national bank system when it should be classed as a central reserve city. The only cities in that list are New York, Chicago and St. Louis. San Francisco has eleven national banks and $101,000,000 in loans and discounts, against ten national banks in St. Louis and $118,000,000 in loans and discounts.

Protection for Depositors.

California bankers have not yet seen their way to follow Oklahoma and Kansas in the adoption or even recommendation of legislation for the creation of an insurance fund to guarantee deposits in high pressure banks, and from present appearances they never will while they have their senses.

The legislature of Oklahoma probably thought it was doing a wise and praiseworthy thing when it enacted that sort of legislation. No doubt they thought it was something new under the sun, which would forever redound to their credit.

An insurance fund created by banks to guarantee the payment of deposits in failed banks where the assets were insufficient for that purpose is not a new thing. It was tried in New York many years ago and was a dismal failure, even as the result of a short trial.

The system is fundamentally weak and unjust as well. It is simply an outrage to thrust such a burden upon a private bank system, and no State system should stand for it a single hour.

To tax a well and honestly conducted bank for the failure of another not so conservatively managed, over which it has

no supervisory control, is an insult to common sense and common decency.

Such a system can never become permanent under the independent bank system, and legislatures can make better use of their time than to attempt to enact any legislation along that line.

Banking under the most favorable circumstances is sufficiently hazardous without the introduction of any new elements of that character.

To make an orderly conducted bank under competent management in any way responsible for another not so well cared for is to encourage incompetency, recklessness and every other bad element that might be named, and ultimately to undermine the whole system by destroying confidence, which in the end would result in general business demoralization.

Postal Savings Banks.

Postal savings banks have not many strong advocates among the banking fraternity of California, nor for that matter in any other State, so far as has been observed.

In at least two of the conventions of the California Bankers' Associations, namely, in 1909 and 1910, addresses were made in disapproval of the system by notable representatives of the savings and commercial banks.

The United States Congress has given more or less consideration to this proposition at several sessions, particularly during that of 1909-10. The scheme has encountered much opposition, showing that the people as represented in that body have not been at all unanimous as to its merits.

The opposition of some bankers to the system has been seized as an argument in its favor by the proponents on the ground that what the bankers oppose the people should approve.

Of course, this is a silly argument, even if the people who advance it are not also silly.

It is about time that the idea of bankers being at cross-purposes with the welfare of the people were eradicated. It must be patent to the most casual observers that bankers prosper only as the people prosper. In this prosperous country there are more people indirectly engaged in banking than those directly engaged.

Many people are conscientiously opposed to postal savings banks purely on the ground that they are opposed to Governmental management of any form of business that can be better and more economically managed by private enterprise.

Government has its functions and it serves the people best when it rigidly attends to its own affairs, that of upholding wholesome laws and maintaining a square deal for its subjects, one and all, high and low, rich and poor.

The bankers have nothing to fear from postal banks as contemplated in the proposed legislation. On the contrary, it is possible that the results will be quite beneficial to the banks and to the people as well in the utilization of a larger money force and in the higher grade of citizenship which frugal habits will create and maintain.

Postal savings banks won out in Congress on June 22, 1910.

Central Bank—Currency Problem.

Since January, 1879, the monetary system of the country has been on a specie basis, and since the Congressional action of 1900 all forms of paper money have been maintained on a par with the gold standard.

So far this course has been generally satisfactory to all concerned.

There are some things yet lacking to make the system an ideal one.

One of these is uniformity in the character of the paper money issues. Instead of five kinds, as now, there should be only one.

Another is a greater degree of elasticity to cover special needs for an increase in the volume without jeopardizing the value.

The proportion of credit money must not get beyond its proper relation to the stock of primary money.

Since January 31, 1900, to June 1, 1910, the stock of all kinds of money in the United States, according to official statements, shows an increase of 51 per cent.

In the same interval the stock of hard money was increased 49 per cent; that of paper money, exclusive of coin certificates, 56 per cent; that of coin certificates 115 per cent, and that of national bank notes 188 per cent. Treasury notes show a reduction of 95 per cent.

The volume of greenbacks was fixed by law in May, 1878, and has not since been changed.

If the volume of credit money was up to its full limit in relation to primary money a decade ago, it is considerably beyond that limit now.

The coin certificates are amply protected dollar for dollar in the kind of metallic money they call for.

A reserve of $150,000,000 in gold coin is held for the redemption of the greenbacks.

Practically this is equivalent to a premium of $3,000,000 to $6,000,000 per annum which the Government pays for the privilege of exercising that form of bank business.

Though the volume of these notes has been reported at $346,681,000 for over thirty years, it is doubtful if the actual total in existence exceeds $300,000,000. A 2 per cent bond issue of that amount for retiring these notes would create an obligation of only $6,000,000 per annum, while if the bonds were deposited for circulation there would be a small rebate in taxes.

If this course were pursued the $150,000,000 in gold now locked up would be released and thus add that amount to the money supply.

While the population of the country has increased 16 per cent in the past decade, the per capita of money in circulation shows a gain of nearly 24 per cent.

Whether this course in reference to the greenbacks is adopted or not there are some other currency matters that should receive prompt attention.

For some years to come instead of purchasing fine silver for subsidiary coinage, standard dollars should be used for that purpose. These dollars can never be used except for domestic circulation, and for that purpose they will go further than in their present form.

Subsidiary coin should have the right of way for small change up to the limit of five dollars.

This would make room for $175,000,000 to $200,000,000 more of silver coin for the retail trade, and if coined from standard dollars would net a large profit to the Government.

If in addition to these changes in the currency system there could be some further adjustment of the banking business through the creation of a central bank under the joint control and direction of the Government and bankers selected for that service, so as to safely and adequately provide for the variable conditions of business, financial operations would be in more perfect accord with the wants of the people.

This matter of a central bank or some agency answering to that idea will probably be taken up at the next session of Congress, when the Special Monetary Commission created by that body to investigate the subject is expected to make its report.

In the meantime it will be well for those having practical views on the subject to make them public to the end that the people may be educated along the line of the best system that may be proposed.

Banks With Small and Large Capital.

On the 15th June, 1910, there were 443 banks in California under the jurisdiction of the Superintendent of Banks

having capital stock of $25,000 and upwards, and one under the mutual system with a reserve of $3,500,000.

Of this number 177, or 40 per cent of the total, reported a capital of $25,000 each, the minimum amount allowed to do a banking business as a joint stock bank in this State.

There were 72 others with a capital stock of $50,000 each, 15 with $30,000 and 5 with $40,000.

Twenty others had capitals varying from $60,000 to $80,000 and 53 with $100,000 each.

Seventeen had from $125,000 to $175,000 and 18 with $200,000 each.

Thirty-six had capitals of over $200,000 but less than $500,000, including 11 of $250,000 each.

Six had capitals of $500,000 and nine with capitals of $600,000 to $850,000.

Seven had capitals of $1,000,000 each, one of $1,200,000, two of $1,500,000 each, one of $3,250,000 and three branches of foreign incorporated banks having still larger capitals.

Of the 182 national banks in operation in California on the same date, 56 had the minimum capital of $25,000, two of $30,000, two of $40,000, thirty of $50,000, two of $60,000, two of $75,000, forty-one of $100,000, seven of $150,000, thirteen of $200,000, five of $250,000, four of $300,000, five of $500,000, seven of $1,000,000, one of $1,250,000, one of $1,500,000, one of $3,000,000, two of $4,000,000 each and one of $6,000,000. The last named is the Wells Fargo Nevada National. The Bank of California National Association has increased its capital to $8,500,000.

Between January 1, 1900, and June 15, 1910, there were 305 banks incorporated in California, of which 96 were savings and 209 commercial banks and trust companies.

As there were only 444 banks (exclusive of branches) in operation on the last named date, it will be seen that most of the banks now in existence are of the twentieth century class. This applies to the nationals as well as to the State banks, and the general condition of all is considered to be good.

Significant Bank Mergers.

The closing year of this review of banking in California has been characterized by at least three mergers of much significance and considerable importance.

The first of these was the reorganization in one bank of the two largest branches of London incorporations which had their inception in two of the leading pioneer private banks of the city.

Residents of San Francisco in the early seventies will readily recall the private banks of the Seligmans and the Lazard Freres.

It was in 1873 that the business of the former was incorporated in London under the name of the Anglo-Californian Bank, Limited, with a paid-up capital of £300,300, and it was in January, 1884, that the latter was incorporated by royal charter in England, under the name of the London, Paris and American Bank, Limited, with a paid-up capital of $2,000,000.

Both of these banks were organized for business in San Francisco and both were quite successful in their undertakings, the business of both expanding from year to year.

It was in the early part of 1908 that the latter went under the national system and within the next twelve months the former followed, and then both became one under the name of the Anglo and London Paris National, with a capital of $4,000,000, all paid up, and surplus and undivided profits of $1,600,000. The bank took possession of its elegant new building on the northwest corner of Sansome and Sutter in April, 1910.

The second merger was the absorption by The Bank of California National Association of the San Francisco National Bank. The former is the successor of the oldest incorporated State bank of the same name in existence, and previous to this acquisition the largest commercial bank on the Pacific Coast. The San Francisco National Bank is the direct legatee of the oldest private bank of San Francisco, first known as

that of Drexel, Sather & Church, then Sather & Church, then Sather & Co, then followed in an incorporated form as the Sather Banking Company, subsequently nationalized as the San Francisco National Bank. James K. Wilson and C. K. McIntosh of the bank go to the Wells Fargo and Bank of California, respectively.

By this acquisition The Bank of California National Association secures a good line of business represented by resources over $5,000,000, and thus places itself on a still higher plane in the financial world.

The third merger event is the union of the Savings and Loan Society and the San Francisco Savings Union under the name of the Savings Union Bank of San Francisco. The Savings and Loan Society has had a continuous and honorable existence of fifty-three years, which exceeds that of any other bank of the same character in any of the Pacific States.

The San Francisco Savings Union is only five years its junior. The union of these two pioneer savings banks will give San Francisco three of the largest of that character this side of Chicago. The Savings Union Bank will have a paid-up capital of $1,500,000 and a surplus of $2,000,000, with a deposit line of about $30,000,000.

Two of the pioneer commercial banks of Petaluma have declared for union. These are the Bank of Sonoma County and the Petaluma Savings Bank. The former has a capital of $300,000, which will be increased to $400,000 by capitalizing $100,000 of its surplus. The latter has a capital of $100,000 and a good surplus. The former will be nationalized, while the latter will be maintained under its present name as an auxiliary.

Tenure of Bank Officials.

Some of the older banks of the State have retained members of their force for many years. Mention has been made of those connected with the first incorporated savings bank.

The Bank of California, being the oldest incorporated commercial bank, presents many of this character. A partial

list of these is as follows: William Alvord, vice-president in 1875, president in 1878 and until his death in 1905.

Thomas Brown, assistant cashier in 1866, cashier in 1873 and until his death in 1904.

Sam H. Daniels has been connected with the bank for 41 years and for several years as assistant cashier.

I. F. Moulton has been connected with the bank for 29 years, and for several years as cashier, and for the past year cashier and vice-president.

Arthur L. Black, assistant cashier for the past five years, was for 30 years in a bank absorbed by the Bank of California.

Allen M. Clay and J. D. Ruggles have been connected with the bank for over 25 years, and for several years have been serving as secretary and assistant secretary.

James Rolph, note teller, reported a connection of 42 years with the bank on the 1st July, 1910.

John G. Clark voluntarily retired from a prominent position in the bank in 1906 after a creditable service of 50 years.

Lovell White died in 1910 as president of the San Francisco Savings Union, with which he had been connected since 1862.

I. W. Hellman, president of the Wells Fargo Nevada National, Union Trust Company and Columbus Savings of San Francisco and Farmers and Merchants National of Los Angeles, has been in the banking business since 1868.

George Tourney, for many years the efficient secretary of the German Savings and Loan Society of San Francisco, was made manager and vice-president in 1910, a well-deserved honor.

C. F. Dillman, president of the National Bank of D. O. Mills & Co. of Sacramento, has been with that bank for 34 years.

Safe Deposit Vaults.

The California Safe Deposit Company was the first to establish a plant on a large and modern scale in San Fran-

cisco for the storage and safe-keeping of bonds, stocks, legal papers and valuables of all kinds.

For this purpose a fireproof building of four stories and a high and well lighted basement was erected on the southeast corner of Montgomery and California street. An up-to-date safe deposit plant was established in the basement of this building.

This plant represented 7,000 boxes, the first of which was rented on September 10, 1875.

The enterprise supplied a long-felt want, relieving many congested bank and private vaults that had been pressed into service to accommodate patrons and friends. The business prospered from the very start, and in 1882 was absorbed by the incorporation in that year of the California Safe Deposit and Trust Company. Upon the failure of that corporation the business of the safe deposit department was transferred to the Mercantile Trust Company.

When the First National took possession of its new building at Bush and Sansome in 1889, it opened a fine system of safe deposit vaults in the basement. In the erection of the new building at Montgomery and Post streets, special attention was paid to this feature of the bank's business, in the large and well-lighted area in the basement devoted to that purpose and in the fire and burglar-proof character of the plant.

The Union Trust Company, incorporated in 1893, established a similar system in its fine building on the northeast corner of Montgomery, at the intersection of Post and Market. This company will soon be located in its new building on Market and Grant avenue.

The Crocker Safe Deposit vaults in the Crocker building at the gore of Market and Post streets are up to date in every particular.

The Mercantile Trust Company established a similar plant in the basement of its building on California street.

Several other banks in San Francisco as well as in other parts of the State maintain such auxiliaries.

The value of these plants was forcibly illustrated in the big fire and earthquake of April, 1906, when the contents of these vaults and boxes were found to have been unharmed.

Departmental Banking.

Up to July 1, 1909, much of the banking in California was of a mixed character. That kind of banking was all cut out by the new banking system which went into effect on the above date.

From that date all State banks that desired to transact more than one kind of banking have been obliged to conduct each department separate from the other.

Under the new law every bank can do two or three kinds of banking if it so elects and is willing to abide by the provisions for the same.

An analysis of the State banks at the close of June, 1910, shows that 321 banks are confined to one of the three recognized classes of business. Of this number 194 are in the commercial class, 124 in the savings class and 3 in the trust class.

The same analysis shows 170 in the departmental banking class, of which 155 are in the commercial and savings class, 12 in the commercial, savings and trust class, 2 in commercial and trust class and one in savings and trust class.

First Year Under New Bank Law.

In tendering his resignation at the end of the first year, Bank Superintendent Alden Anderson reported 491 banks and branches in operation, a net gain of 5. During the year 45 banks were established, 13 State banks went under national system, 12 banks were closed for cause, including 8 Japanese banks, 3 of which were permitted to reopen, and 15 were lost in mergers or by voluntary liquidation, including the discontinuance of several branches.

During the year 48 banks were required to repair impaired capital, varying from 10 to 70 per cent, with one

extreme case of 150 per cent. There were 15 suits filed against the unsound banks, and 18 suits against the superintendent.

One receiver took charge of all the closed banks, thus minimizing the expense.

One of the closed banks was the State Savings and Commercial, from which a dividend of 60 per cent would have been paid to creditors if the superintendent had not been restrained.

Condition All California Banks June 30, 1910.

Through the courtesy of the Comptroller of the Currency and the Superintendent of Banks in California, the writer is permitted to add a summary of the condition of all the banks in California on June 30, 1910, as follows, in one thousand-dollar amounts:

	National	State	Total
Capital, etc.	$ 95,069	$ 90,095	$185,164
Investments	73,263	106,963	180,226
Individual Deposits	198,526	453,281	651,087
Loans	211,068	351,332	562,400
Resources	401,921	568,015	969,936

These are the aggregates from the statements of 185 national and 491 State banks, making a total of 676 banks, an increase of 34 national and 5 State banks during the fiscal year.

The above totals compare as follows with those rendered at the close of June, 1909:

	National	State	Total
Capital, etc.	$ 60,043	$105,056	$165,099
Investments	57,924	105,339	163,263
Individual Deposits	146,036	437,148	583,184
Loans	148,373	337,867	486,240
Resources	298,300	574,877	873,177

The grand totals show a gratifying development for the year along all the lines covered by the summary. The better showing of the nationals is due to the conversion of a number of State banks to that system, notably the Bank of California.

The 53 banks in San Francisco control 43 per cent of the banking capital of the State, 41 per cent of the individual deposits and over 44 per cent of the total banking resources. Admitting that the population of the city is 432,000 the resources of its banks are equal to $1,000 per capita.

Income From Savings.

Eight of the San Francisco savings banks, organized prior to 1890, and still in business in 1910, have paid dividends to depositors aggregating the following amounts:

Savings and Loan since 1857	$17,411,116
Hibernia Savings since 1859	51,274,486
Savings Union since 1862	30,961,546
German Savings since 1868	36,546,769
Humboldt Savings since 1869	3,074,500
Security Savings since 1871	4,315,076
French Savings since 1879	2,418,837
Mutual Savings since 1889	3,500,000
Total eight banks	$149,502,330

In addition, over $10,000,000 was paid on such deposits by the four banks that were closed in 1878 and 1879.

Illustrations.

Several good banking friends have courteously loaned cuts of the buildings in which they are doing business, to be used in this book.

The buildings represented are: The Anglo and London Paris National, Bank of California National Association, Crocker National, First National and First Federal Trust Company, Mercantile Trust Company and Mercantile National, Wells Fargo Nevada National, German Savings and Loan Society, Hibernia Savings and Loan Society, Humboldt Savings Bank, Savings Union Bank and Security Savings Bank, all of San Francisco; First National Bank and First Trust and Savings Bank of Oakland, California National and National Bank of D. O. Mills & Co. of Sacramento, Security Savings Bank of Los Angeles, and the United States Mint in

San Francisco, used by the Clearing House banks for some days following the big fire of 1906.

Five of the San Francisco bank buildings are creations since the fire and are of the most modern type.

The D. O. Mills bank in Sacramento is the one in which Mr. Mills did business in 1852. This bank has had a continuous existence of over sixty years.

Bank Act of 1909.

The enacting clause of the Bank Act is "An act to define and regulate the business of banking."

Some of the more salient points of this latest bank legislation in and for California may be briefly pointed out for the consideration of parties interested in the same.

In its general scope the act provides for departmental as well as separate banking, and for a bank superintendent clothed with ample authority to enforce its provisions and adequate penalties for violations.

The act is composed of five articles or grand divisions. The first of these covers the general provisions relating to banking, the next three to savings banks, commercial banks and trust companies, and the last to the office and duties of the Superintendent of Banks as the head of the State Banking Department.

Article I is divided into 51 sections. The definition of a bank is the business of receiving money on deposit, and this may be done by individuals or corporations under the designations of savings and commercial banks or trust companies.

Corporations may be formed for doing business in any one or all of these classes under the laws provided for the same. The general features relating to these forms of banking are well understood.

Foreign corporations desiring to transact a banking business in the State must submit to State supervision.

Corporations applying for a certificate to do a banking

business must file a certified copy of its articles of incorporation with the Superintendent of Banks.

No bank or any officer or director thereof can establish a branch without the written approval of the Superintendent nor without a paid-up capital of $25,000 for every branch opened, unless the capital of the main bank is sufficiently large to meet the obligations required of it and the branch or branches it desires to maintain.

No person can be a director unless he is the owner in his own name of stock of the market value of $500, which he cannot sell, hypothecate or pledge as security for any loan or debt, without the forfeiture of his position.

No person not authorized by the Superintendent can resort to any subterfuge by sign or printed matter, to solicit deposits or to transact any feature of banking business.

Authorized or subscribed capital cannot be published in any form unless there goes with such announcement the amount of capital actually paid up.

Within fifteen days of the beginning of every odd numbered year all deposits that have been undisturbed for the ten preceding years, either from the known death of the depositor or other cause, must be published.

Satisfactory provisions are made for the administration of deposits made in the name of a married woman or minors, or as trustee for another, in the case of death or other cause, to the end that such deposits may be paid to the persons entitled to the same and the bank be relieved from all liability for its action.

Banks must keep an accurate and accessible list of its stockholders; also a list of the stock holdings of the directors, with all changes promptly noted.

The paid-up capital and surplus must at all times be equal to 10 per cent of the deposit liabilities, provided that no savings bank shall be required to have a capital and surplus in excess of $1,000,000.

Every bank, except savings, must at all times have a reserve in lawful money of the United States equal to 15 per cent of its deposits, exclusive of public deposits. Three-fifths of such reserve may be deposited, subject to call, with any other than a savings bank. Every bank receiving deposits from other banks must have a lawful reserve of 20 per cent.

Failure for thirty days to make good any impairment of these reserves will subject the bank to insolvency proceedings.

Before the payment of dividends to stockholders one-tenth of the net earnings must be set apart as a reserve fund until such accumulations shall be equal to 25 per cent of the paid-up capital. Where such reserve is held as the exclusive property of the stockholders, the whole or any part thereof may be converted into paid-up capital stock, and a new reserve created as in the first instance.

Any corporation authorized by its articles so to do may combine either one or both of the other classes.

Departmental banks, whether the combination is savings and trust, commercial and trust, or savings, commercial and trust, must have a paid-up capital of $225,000, but a commercial and savings business may be conducted with a paid-up capital of $25,000.

Consent of the superintendent and a fee of $50 are necessary to open any additional department.

Each department must be conducted separately from the others in all respects and along all lines, as though each were an independent bank and subject to all the rules applying thereto.

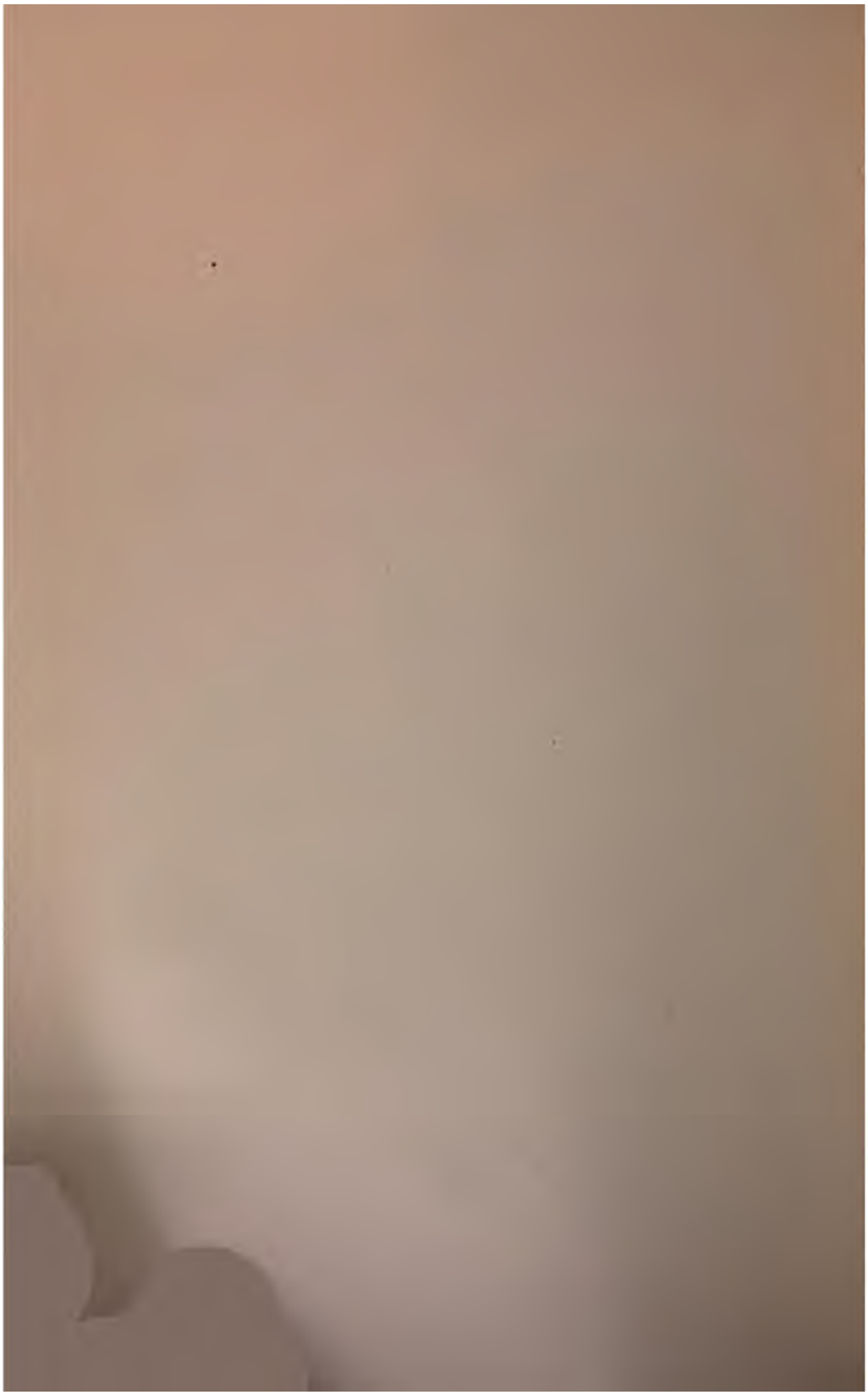
Existing corporations having no capital stock may elect to have a capital stock under certain conditions.

Banks conducting a safe deposit business may not invest more than one-tenth of capital and surplus in such plant.

Any bank may sell the whole or any portion of its assets to another bank, with the consent of two-thirds of the stockholders in both the buying and selling banks.

No officer or employee of any bank shall directly or

United States Mint, San Francisco, 1854



indirectly borrow any of the deposits or funds of the bank, nor become an indorser or surety for loans to others, nor in any manner be obligor for moneys borrowed or loaned by such bank, on pain of having his position declared vacant and a misdemeanor charge placed against him.

No bank shall invest its own capital or deposits in its own capital stock, nor make any loans from such sources on its stock, unless necessary to prevent losses on debts previously contracted in good faith.

It is to be deemed a felony for bank officials, employees or controlling stockholder to sell or transfer to the bank with which he is connected any mortgage or real estate in which he is personally or financially interested without the consent of the superintendent.

Banks receiving deposits of money cannot purchase, underwrite or guarantee any bond issue in excess of 5 per cent of its assets, except bonds of the United States and California.

Banks cannot invest their capital or the money of depositors in shares of corporations, unless necessary to prevent loss, without the consent of the superintendent.

All doctoring of bank accounts or statements by a director, officer, agent or employee is deemed to be a felony.

Any officer, director, agent, teller, clerk or employee who knowingly overdraws his account, or agrees to receive any gratuity for endeavoring to procure for any person any special favor or concession of any character, shall be deemed guilty of a felony.

Any agreement with depositors to waive the personal liability of stockholders shall be void.

No bank can deposit funds with a bank that has not been designated a depository by a vote of the directors.

No bank shall make a loan secured by the stock of another bank, if such loan so secured exceeds 10 per cent of the capital stock of the other bank, nor can it make a loan against such collateral unless the bank has been in existence two years and has earned and paid a dividend on its capital stock.

Unpaid interest on debts owing the bank cannot be regarded as profits in making allowance for dividends.

No bank shall invest or loan more than 5 per cent of its assets in any one bond issue, except United States bonds and bonds of California.

Loans on real estate must be first liens, but a second mortgage may be accepted to prevent loss.

National banks receiving deposits from State banks must, at the request of the superintendent, submit to examination, if he deem it necessary or desirable, and the expense of such examination must be borne by the bank examined. In case of refusal, the superintendent shall notify State banks making deposits with such national banks to withdraw the same, or be declared guilty of a misdemeanor.

Commercial banks or trust companies must not in any way solicit savings deposits, unless willing to create and maintain a special department for savings, for which they must obtain the consent of the superintendent.

Every bank must post in a conspicuous place its last certificate from the superintendent for the transaction of business.

The last section under Article I applying to general provisions makes ample and specific provisions for the deposit of moneys belonging to estates. Under the order of the court, these moneys may be deposited in any bank organized under the laws of the State of California, and when so deposited and while in possession of such bank, the trustee is relieved and discharged from all liability and responsibility therefor, and the bond required of him as such trustee may be reduced to such an amount as deemed reasonable.

As Applied to Savings Banks.

Article II relates to provisions governing savings banks, each of which must have a paid-up capital of $25,000 if joint stock banks, or a reserve of $1,000,000 if mutual.

These banks may own their own building if the cost of the same does not exceed the capital and surplus.

They may also own real estate taken for debt, but not beyond ten years after acquiring title.

They cannot purchase, own or sell personal property, except as may be needed in their business, and mortgages on real estate, bonds, securities, bullion, mint certificates and evidence of debts issued by the United States.

A list of the bonds in which they may invest embrace bonds of the United States, of California, of any other State that has not defaulted in principal or interest for five years, of any governmental subdivision of any State outside of California, with a population of 20,000, issued pursuant to authority, provided such issues do not exceed 5 per cent of the assessed value of the property therein, and provided further that there has been no default in interest for five years; also bonds of steam and street railways under certain conditions, and bonds issued by real estate corporations that are not in excess of 60 per cent of the market value of the property.

No savings bank shall borrow money, or pledge or hypothecate any of its securities, except to meet the immediate demands of its own depositors.

They may issue general certificates of deposit, transferable by endorsement and delivery, and special certificates.

They may prescribe in their by-laws or contracts with depositors the conditions on which repayments are to be made. But whenever these demands exceed the disposable funds on hand to meet the same, no new loans shall be made until such excess has ceased.

No loan shall be made without adequate security of real or personal property, nor for a longer period than ten years.

Bond loans shall not exceed 90 per cent of the market value of those rated as first class, such as United States and State bonds, 85 per cent of the market value of the second class, 70 per cent of those in the third class and 65 per cent of the market value of personal property and stocks of corporations.

Real estate loans must be limited to 60 per cent of the market value of the property.

Loans on mining shares are strictly prohibited, and that is a good feature as a rule.

The general law as to loans on the stock of other banks is made applicable to savings banks.

Cash reserves, or their equivalent, must be equal to 4 per cent of deposit liabilities, one-half of which must be in lawful money in its own keeping.

Deposits with commercial banks and trust companies, on open account, to facilitate business, shall be permitted, and shall not be construed as loans.

Not more than 5 per cent of the deposits of any savings bank shall be deposited with any one bank.

As Applied to Commercial Banks.

Article III relates to commercial banks, which cannot make loans to any person, company, corporation or firm in excess of 10 per cent of capital and surplus, provided that such loans may be made up to 25 per cent if the security tendered be worth 15 per cent in excess of said loans.

No loan shall be made upon the securities of one or more corporations, the payment of which is undertaken severally, but not jointly, by two or more individuals or firms.

Every bank must have a paid-up capital of not less than $25,000.

No commercial bank can loan to any director, unless the application be approved by a two-third vote of the board exclusive of the applicant member. Even then the full details of the action must be submitted to the approval of the superintendent. That being withheld, the transaction fails.

It is further stipulated in this connection that the total loans to all directors shall not exceed 30 per cent of the capital and surplus.

In reference to these loans to directors, it is further provided that the loaning bank shall make a monthly report to the superintendent, stating in writing the names of the

directors to whom the loans have been made, the amount and rate of the loan, when due and the security pledged therefor. Failure to do this constitutes a felony.

As Applied to Trust Companies.

Article IV relates to the specific duties and obligations of the trust companies in the State.

These companies must have a paid-up capital of not less than $200,000 before they can transact business.

Reasonable fees are allowed for all and every kind of service rendered, but such compensation shall not exceed that allowed to natural persons for like services.

It shall be lawful for any public administrator to deposit with any trust company having the required capital and doing business in the same city or county, all moneys of any estate upon which he is administering not needed for current expenses, provided said company has made the requisite deposit with the State Treasurer.

Whenever such deposits have been ordered or concurred in by the court, the administrator is relieved to that extent of all responsibility for the money so deposited.

Before a trust company can accept a deposit from an estate it must deposit $100,000 with the State Treasurer.

When a trust company has an excess of $200,000 of paid-up capital, it may mortgage any improved productive real estate which it owns in excess of such $200,000, and may deposit the mortgage with the State treasurer in lieu of cash as further security for the deposits from estates at the rate of $100,000 for the first additional $500,000 of deposits and $50,000 for each additional similar amount, but no trust company shall be required to deposit an amount in excess of $1,000,000.

In addition to the usual report, the trust companies must furnish the superintendent with a list and brief description of the trusts held, the source of the appointment and the amount of real and personal property held.

Outside of the official information required by the superintendent, the trust companies must protect the confidence reposed in them.

The use of the word "trust" in combination with or in connection with the word "company," etc., is strictly forbidden other than by the trust companies provided for by the Bank Act. Whenever such use is made of the word by any other corporation, it will come under the supervision of the superintendent or be deemed guilty of a misdemeanor.

Duties of Bank Superintendent.

Article V relates to the creation of a State Banking Department, with a superintendent of banks as its head and chief officer. He is an appointment of the Governor under a four-year term, with a salary of $10,000 per annum, and with authority to name his own deputy, attorney, examiners, stenographers and clerks and to spend a sum annually not exceeding $75,000 for all salaries and supplies, including his own, together with office rent, fuel, light, printing, postage and stationery. Both superintendent and his deputy are obliged to furnish bonds of $50,000 each.

The money to meet these expenses is contributed by the banks, which voluntarily submit to a pro rata tax on their deposits, in addition to license fees to make up the sum total required, limited for the first year at least, to $75,000. This money is set apart as a special fund for that purpose, and any excess in one year reduces the amount to be collected in the following year to the extent of that excess.

Savings banks must be examined once every year and all other banks twice. In addition all banks must furnish sworn reports of their condition three times every year on such dates as may be named.

No bank can transact business without a permit from the superintendent and a fee of $50. Every bank doing a departmental business must submit a separate report for each department.

The items covered in these reports represent the usual classifications. In addition a condensed statement of these reports must be published at least once in some newspaper of general circulation published at or near the place of business.

Whenever the condition of a bank shows the capital to be impaired, sixty days will be allowed to make things good. Refusal to comply with this demand, if further delayed for ten days, will be followed by summary action.

When a bank is considered to be in an unsound or unsafe condition, the superintendent has authority to take immediate possession and stop all business until the bank can be restored or goes into liquidation under the direction of the superintendent. This feature is a great improvement over that previously in force. It follows along the same lines that have been admirably observed by the Comptroller of the Currency.

The present superintendent had not been in office six months before he was obliged to resort to procedures of this kind. They may appear a little arbitrary and perhaps harsh, and some may even say uncalled for, but that is the law in the case, and the superintendent has no alternative. He must administer the law as he understands it, or give way to some one who will.

In the liquidation of banks, after the superintendent has paid off all claims, provided the assets are sufficient for that purpose, exclusive of the claims of stockholders, and made provision for unpaid deposits or dividends, and has met all the expenses of liquidation, the superintendent must call a meeting of the stockholders, and make a full report of his action, and deliver to the stockholders whatever property may be left, including records, and receive from their hands his discharge.

This places the organization just where it was before it began business. If the stockholders wish to resume and are willing to comply with the provisions of the Bank Act and with the authority of the superintendent under that act, they will be permitted to proceed with their determination.

It is made the duty of the directors to perform some more important service than is implied in an attendance upon the regular meetings. At least once every year they are to make a thorough examination of all the books, papers and affairs of the bank, and particularly the loans and discounts, with the view of ascertaining the value and security thereof, and of the collateral security, if any given, in connection therewith.

The information thus secured is to be incorporated in a report and filed with the board, so as to be accessible to the superintendent.

In October every year the superintendent must make a detailed report of the operations of his office to the Governor for submission at the next session of the legislature.

In addition to this annual report, the superintendent is obliged to post in his office weekly a full account of his official acts as to changes and salaries of his office force, applications for permits to transact business, with the granting or rejection of such applications, and similar information.

If the superintendent has knowledge of the insolvency or unsafe condition of any bank, and fails to proceed against such bank in accordance with the provisions applicable to such cases, he shall be deemed guilty of a felony.

All acts or parts of acts in conflict with the Bank Act of March 1, 1909, are repealed by said act, and the law of that date is the supreme law now in force.

Constitutional Provisions for Banks.

Under the State constitution, stockholders in banks are personally liable for the debts of the same to the full value of their shares if to pay such liabilities that course became necessary.

The constitution prohibits all corporations or associations from issuing for circulation as money anything but the lawful money of the United States.

It prohibits the issuing of stock or bonds, except for

money paid, labor done or property actually received. Any issue of either not so governed is declared void.

In electing for directors or managers of corporations it permits voting by proxy and cumulative voting, except that members of co-operative societies formed for agricultural, mercantile and manufacturing purposes, may vote on all questions affecting societies in the manner prescribed by law.

The same instrument puts all corporations organized outside of the State who wish to do business in the State under the same provisions as the law prescribes for State organizations.

Corporations may be sued in the county where the contract is made or is to be performed.

An amendment to the State constitution, adopted in 1902, exempts from taxation all bonds issued in California by the State or any division of the same.

Taxation of mortgages was made a part of the constitution adopted in 1879, and is still in force, but was recently modified to the extent that it is now optional with the lender or the borrower as to which party shall pay the tax. If the obligation be put upon the lender, he must make the interest rate sufficiently large to cover the tax, while, if the borrower assumes it, he gets the lowest rate prevailing at the time the loan is made.

The taxation of mortgages at their face value and the taxation of the property upon which they are a lien, after the lien has been deducted, at or about 60 per cent of its market value, is not an equal form of taxation, as any one can readily see. The object of such taxation was to gratify an unfounded prejudice against the banks entertained by the uninformed, but it has failed to effect the harm intended.

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